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Managing the Expatriation Cycle: Ideals and Realities

A Case Study of the Norwegian MNCs Jotun and Statoil

by

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Abstract

Expatriation represents considerable costs for multinational companies (MNCs) today. But, it also represents a source of multiple benefits. These benefits are, however, highly intangible, and to measure to what extent they are realised is a difficult exercise. One way to ensure that companies extract as many benefits as possible from their expatriation processes is to manage an efficient and effective set of HRM practices.

Academics have suggested a number of techniques that aim at assuring the adaptation of best HRM practises. These practises are what we call “the ideals”. But do MNCs today follow the recommendations of the scholars? This thesis analyses “the realities” of the HRM practises in two Norwegian MNCs, Jotun and Statoil. The analysis is followed by a discussion about whether it matters if the observed reality deviates from the academic ideals, and what MNCs can do to be closer aligned to academic best practise.

When analysing the HRM practises at the different stages of the expatriation cycle, deviance from the ideals are observed in a number of areas. Four key issues are identified to have particularly strong implications for performance. Firstly, relatively small resources are given to spousal support, such as job hunting services, during the assignment. Secondly, there is reportedly an insufficient degree of expatriate follow-up by HR. Thirdly, the performance management systems are not appropriate for measuring expatriate performance. Fourthly, there is an unstructured and ad-hoc driven approach towards repatriation.

It is suggested that the MNCs studied can improve the way they manage their expatriates by adopting academic ideals in six distinct areas: The recruitment process, expatriate and family support, communication between HQ and subsidiary, performance management, the repatriation process, and knowledge transfer upon repatriation.

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Foreword

This master's thesis is written as a part of the Master of Science in Economics and Business Administration, International Business major, at the Norwegian School of Economics and Business Administration (NHH). The thesis is written on the basis of data from the Norwegian MNCs Jotun and Statoil, and the research has been supervised by Professor Paul N. Gooderham at the Department of Strategy and Management at NHH.

The topic chosen, expatriation, is part of the International Organisation and Management curriculum. We, the authors, started exploring this topic during the autumn semester of 2008, when writing a term paper for the course INB400 – International Organisation and Management.

While working with Jotun and Statoil, we have found it fascinating to see how the practises in companies can differ from the theories we learn in school. We do not anticipate that results stemming from this research will radically change the way MNCs' studied manage their expatriates. However, we hope that the thesis will inspire and give the companies ideas as to how they can enhance the value of expatriation in the future.

Working on this thesis has been a valuable experience for us, both in academic and practical terms. The learning curve has been steep, and we are confident that we will benefit from the knowledge acquired during this process in our professional careers.

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1. Introduction

1.1 Purpose

Most MNCs depend extensively on expatriates in their internationalisation strategy, as expatriates play an important role in providing technical and managerial skills needed to set up and manage subsidiaries globally (Collings, Scullion, & Dowling, 2009; Collings & Scullion, 2006). Expatriates also serve as organisational developers that bridge the subsidiaries and the head office, and facilitate the assimilation of a common corporate culture and best practises throughout the organisation (Edström & Galbraith, 1977; Harzing, 2001; Collings, Scullion, & Morley, 2007). Moreover, expatriation is seen as an important step in the process of developing global managers that understand international business (Edström & Galbraith, 1977; Harzing, 2001; Collings *et al.*, 2007). Because of these reasons, deploying expatriates is commonly believed to be crucial in order to successfully integrate international operations, and to realise synergies globally (Collings *et al.*, 2009).

Despite the apparent benefits related to an expatriation strategy, it is not clear that these benefits always outweigh the considerable costs involved. The costs of expatriation are significant, both because expatriates claim a higher salary than their local peers, and because expatriates occupy considerable HR resources (Bonache, 2006). In addition to this, companies are faced with the risk of damage to the company and/or individuals if expatriates fail or underperform (Collings *et al.*, 2007).

In order for companies to realise benefits from expatriation, and avoid the above mentioned risks, several factors should be in place. First, a well-managed selection process that ensures that the right individuals will occupy expatriate positions (Black & Gregersen, 1999; Caligiuri & Tarique, 2006). Second, there needs to be a good communication system between corporate HR and expatriates all over the world, in order to monitor the process, and to make sure that the expatriates are doing well (Thomas & Lazarova, 2006; Harvey & Moeller, 2009). Third, a strategically oriented repatriation process, that makes sure that the knowledge acquired by the expatriate during the assignment, is transferred and utilised in the organisation afterwards (Welch, Steen, & Tahvanainen, 2009; Harvey & Moeller, 2009). This is a very critical part in the expatriation process, since most companies today do not have systems in place to manage knowledge transfer (Black & Gregersen, 1999).

A lot of the literature on expatriation today is focused on the benefits on individual level. But in order to provide a reason for companies to send expatriates abroad, it is necessary to point out the benefits on a company level as well. Measuring these benefits poses several problems for academics and practitioners, particularly because of the intangible nature of these benefits (McNulty & Tharenou, 2004; Collings *et al.*, 2007).

It should be acknowledged that benefits at the company and individual levels, may, in many cases, be interrelated. For example, an international assignment can prove beneficial for an individual because it may unlock valuable career opportunities, but it could also add value for the company as they benefit from having managers with a global mindset. There are, therefore, good reasons for adapting a balanced view of individual-level and company-level benefits. However, the main focus of this thesis will be at the company level (Figure 1).

Figure 1: Research focus

	Costs	Benefits
Company Level		Research focus
Individual Level (employees)		

In order for MNCs to fully capture the benefits associated with expatriation, an effective management system, that spans the entire duration of an international assignment, needs to be in place. The management of expatriates can be categorised according to the expatriation cycle. In this thesis, the expatriation cycle is defined to comprise the following stages: Selection, assignment preparation, compensation, communication with home office, performance management, and repatriation. For each of these stages, MNCs apply a set of human resources activities that aims at enhancing the benefits of expatriation, and minimising the risk of failure and/or underperformance.

In the expatriation literature, academics suggest numerous models and frameworks for how MNCs ideally should manage their expatriates in the different stages of the expatriation cycle. These ideals include a number of HRM practises and activities that MNCs should adopt in order to increase the realisation of benefits from expatriation. Yet, in reality, the practises observed in MNCs do not

always reflect academic thinking, and a key question is therefore: Does this deviance from the ideals lead to underperformance?

The purpose of this thesis is to examine the expatriation practises in two major Norwegian multinationals, Jotun and Statoil, in order to identify if the reality observed in these companies matches the ideals in the literature. The expatriation cycle will serve as a framework for analysis to identify what areas Jotun and Statoil show deviance from the ideals, and to what extent the companies show similar deviations. Next, it will be discussed whether the observed divergence between ideals and realities lead to underperformance for the MNCs analysed. And finally, some key areas for improvement will be suggested, and it will be discussed whether Jotun and Statoil can enhance the value of expatriation by approaching the suggestions of academic research.

1.2 Problem Statement

The starting point for the thesis was the question “Do the realities observed in MNCs today match the ideals for expatriation management as proposed by theory?” This question offered guidance in the early stages of the research. However, when approaching the companies it soon became evident that this question was, in fact, trivial. Both Jotun and Statoil seemed to be aware of the shortcomings of the way they manage their expatriates. The key question was rather “Does the divergence between ideals and realities lead to underperformance?”

The companies understand the difficulty of grasping the intangible benefits that stem from expatriation. But they also point out, due to lack of resources, the difficulties in following every single step in the expatriation process proposed by theory. However, today they do not know to what extent this deviance from ideals affect them, and they do not possess any formal systems or tools to extract and to measure the realisation of expatriation-related benefits. Consequently, another crucial question for the companies is “What are the main areas of improvement with regards to expatriation management? And how approaching theory facilitates increased realisation of benefits?”

The problem statement for this thesis is:

Does the divergence between the academic ideals, and the realities of the companies studied, lead to underperformance? And, how can companies enhance the value of expatriation by approaching academic ideals?

1.3 Background

This master's thesis is based on the paper "Expatriation and Repatriation in Jotun – Do the Benefits of Expatriation Outweigh the Costs?" which was written as a part of the course INB400 - International Organisation and Management at NHH in autumn 2008.

The paper in question aimed at comparing the costs and benefits of expatriation for Jotun, focusing especially on benefits related to the transfer of corporate culture and quality standards throughout the global organisation; fulfilment of global strategy; and development of global leaders. The cost analysis included costs related to the expatriate compensation package and risk factors such as expatriate failure, dual-career families, and glass-ceiling of local managers.

The paper concluded that the use of expatriates is a vital part of Jotun's global strategy. Expatriates in Jotun are considered so-called global penguins, meaning that they are ambassadors for Jotun worldwide. Jotun expatriates act as a bridge between Jotun's head office and the subsidiaries, spread Jotun's corporate culture, and monitor that the quality standards are consistent around the world. Expatriating Jotun employees is also important for the development of global leaders that understand international business that prepares them for key positions at the head office, and in foreign subsidiaries.

The term paper mentioned above was based on Jotun's International Assignment Policy, and included two interviews with representatives from Jotun's Corporate HR department. The master's thesis offers a broader view, as the data also includes interviews with both current expatriates and repatriates. In addition, it was decided to include a second company, Statoil, to allow for comparisons across the companies. This will be explained in more details in the methodology part (chapter 4).

1.4 Relevance

Expatriates are among the most expensive investments a company can commit to when it comes to human resources (Stroh *et al.*, 2005). The cost of expatriating an employee is on average two to three times higher than if the employee stayed at home, (Black & Gregersen, 1999), and as it has been argued above, to this date, there are very little empirical data that identify the company-level benefits associated with expatriation.

There is, however, some research suggesting techniques that can be put in place in order to increase the realisation of those benefits. This research is rather premature today, and companies still deal with expatriation issues in an ad-hoc manner. Being able to understand how academic contributions can help companies today is, therefore, of great value both for scholars and executives. It can help companies increase their profits, and can motivate scholars to further investigate these issues.

This thesis is a case study of Jotun and Statoil, and the results derived are, for that reason, chiefly of value for these companies. However, it could be that other companies that are prone to similar issues with regards to expatriation can also draw some lessons from reading this thesis. Moreover, the research design applied in this thesis might be duplicated in other companies or situations, or form a basis for large-sample testing.

1.5 Scope

This thesis will focus on long-term international assignments (LTAs). In accordance with the companies' internal classifications, an LTA will be defined as an assignment with duration of 2 to 5 years (Jotun, 2009f; Statoil, 2009e). The focus on LTAs is actualised by their high relevance for company development and company costs – representing a large amount of a company's investments in human capital (Stroh *et al.*, 2005). Other types of assignments, such as business travels and short-term assignments (STAs), also represent an important source of benefits for the firm, but since they have a very different structure of costs and benefits compared to LTAs, these alternative forms of international assignments will not be discussed in this thesis.

For the sake of simplicity, and to avoid confusion, a consistent terminology will be used throughout the thesis. Unless otherwise stated, an international assignment (IA) refers to an LTA, as defined above. The employee who is sent on an IA will from now on be referred to as an "expatriate."

Conversely, an employee that has returned to the head office after an IA will be referred to as a “repatriate.”

1.6 Empirics

This subsection will briefly introduce the two Norwegian MNCs that will be analysed in this thesis – Jotun and Statoil.

Figure 2: Jotun logo



Source: (Jotun, 2009b)

Jotun is a Norwegian paints, coatings and powder coatings company founded in 1926 (Jotun, 2009g). It develops, produces and sells its products for the residential, shipping and industrial markets. The company is 51% owned by the Gleditsch family in Sandefjord, and 49% by the Norwegian FMCG company Orkla. Jotun has operations on all continents, with 74 companies and 40 production facilities in 80 countries worldwide. In 2009, the Jotun Group had a turnover of NOK 12,814 million, employing a total of 7,400 people, with the head office located in Sandefjord, Norway (Jotun, 2010).

Figure 3: Statoil Logo



Source: (Statoil, 2009a)

Statoil was originally a Norwegian state-owned oil and gas company, established as a political initiative in 1972. A process of partial privatisation in the beginning of the 2000's, and a merger with the oil and gas division of Norsk Hydro in 2007, turned Statoil into an international energy company (Statoil, 2009c). Today, the company is the global leader in deepwater technology. It has operations in 40 different countries, and employs over 30,000 people worldwide. Its head office is located in Stavanger, Norway, and the company is listed on both the New York and the Oslo Stock Exchanges.

In 2009, its market capitalisation was estimated to be about USD 80 billion, and its equity production about 1.95 million barrels of oil equivalent per day (Statoil, 2009d).

Jotun and Statoil are similar in terms of values and management principles, but at the same time they differ both in terms of the size of their operation and previous history, and experience when it comes to staffing global operations with expatriates. Jotun is a relatively small organisation with extensive experience in managing expatriates, whereas Statoil has a large organisation, but less experience in expatriation. The two companies will, therefore, collectively be a solid basis for analysis in this thesis.

1.7 Structure

This first chapter, **Introduction** has introduced the reader to the topic that will be analysed in this thesis. A problem statement has been defined and background, relevance and scope of the thesis have been presented. Moreover, a brief introduction to the case companies has been outlined.

The next chapter, **Literature Review**, gives an introduction to the theoretical domain for the thesis. The first part of the chapter gives an introduction to the topic of expatriation. Next, the six stages of the expatriation cycle are introduced. For each of these stages, a set of HRM practises, that researchers agree ideally should be present in order to effectively manage expatriates, are outlined. Finally, a framework encompassing what will be referred to as the academic ideals is presented.

The third chapter, **Case Presentation**, will acquaint the reader with the two companies studied – Jotun and Statoil. The aim is to provide a context around the history of each company, their international strategy choices, and their respective International Assignee Policy.

A following fourth chapter, **Methodology**, will discuss the choice of research objects, the research design applied and the methods used for gathering data, namely, the interview guide, the selection of informants, and the interview itself. Additionally, the limitations and weaknesses of the methodology will be pointed out.

The **Findings** will be presented in the fifth chapter. For each stage of the expatriation cycle the realities observed in Jotun and Statoil, respectively, will be presented. Applying the theoretical framework from chapter 2, we will analyse to what extent there is a divergence between academic

ideals and reality. This chapter will also analyse the differences observed between the two companies.

Subsequently, in the sixth chapter, **Discussion**, we will argue whether the deviance found in chapter 5 represents a source of underperformance for the companies. In addition, a series of recommendations will be presented to guide the companies, and to show how approaching academic ideals can enable the companies to realise untapped benefits associated with their expatriation practises.

Chapter seven, **Conclusion**, will draw on the findings and recommendations above, so as to provide final comments and insights regarding the expatriation and repatriation processes. It will also provide a review of implications and limitations of our study, followed by suggestions for future research.

2. Literature Review

MNCs are today competing in a global market place, where economic and social factors have contributed towards increased competition globally, and thus, have created the need for establishing efficient HRM practises across country borders. In order to understand the development of such practises, it is crucial to understand the strategic objectives of MNCs, and the functions and roles expatriates carry out (Bonache, Brewster, & Suutari, 2001).

The aim of this chapter is twofold. On the one hand, the reader will be given an introduction to the expatriation topic. On the other hand, a theoretical framework for analysis will be developed.

This chapter will firstly introduce MNCs' different approaches to global staffing, and discuss what motives MNCs have for using expatriates when staffing foreign operations. Secondly, the key HRM activities that MNCs need to emphasise with respect to expatriation will be identified. These HRM activities cover the entire duration of an IA, the expatriation cycle. Each of these activities will be discussed in detail, and, based on available literature, a framework suggesting how the expatriation cycle ideally should be managed will be presented. The proposed framework will serve as a basis for the discussion about choice of research design, and offer guidance when presenting and analysing the results of the research.

2.1 Introduction

2.1.1 The Global MNC

MNCs pursue three complementary goals: local responsiveness, global integration and the development of an innovation and learning organisation (Bartlett & Ghoshal, 1992). MNCs are frequently categorised according to their attitude towards local responsiveness and global integration. The different configurations will not be discussed in detail. We will rather acknowledge that both of our case companies, Jotun and Statoil, can be categorised as what is commonly noted global companies. That translates into a simultaneous focus on local responsiveness and global integration. Global companies recognise differences and do not assume control at the home office or the subsidiaries, and an important goal is to integrate the best from each unit into a common corporate culture and business strategy (Caligiuri & Colakoglu, 2007). In achieving this goal, deploying expatriates is of great strategic importance.

2.1.2 Subsidiary Staffing Approach

Staffing of foreign subsidiaries is an important strategic HRM practise that MNCs use to develop and sustain competitive advantages globally (Collings & Scullion, 2006). MNCs can staff their foreign subsidiaries with parent country nationals (PCNs), host country nationals (HCNs) and third country nationals (TCNs), or a combination of the three. Perlmutter (1969) presents three approaches to global staffing: the ethnocentric, the geocentric and the polycentric approach. A fourth approach – the regiocentric approach – was later introduced as a complement to the first three (Heenan & Perlmutter, 1979). Each of these approaches will now be introduced in turn.

Ethnocentric approach

A company following the ethnocentric approach is usually characterised by a very high percentage of expatriates in their foreign investments – normally parent country nationals (PCNs) or citizens from the country of origin of the head office (Perlmutter, 1969). This is due to a tendency to generally mistrust company outsiders or foreigners, and the head office's desire to protect secrets, and to stay in control over the subsidiaries as much as possible. These companies are often identified by the country where the head office is located – a “Swiss company”, for instance. An ethnocentric approach can easily lead to a sense of glass-ceiling on the part of HCNs (Perlmutter, 1969). The ethnocentric approach is often seen in MNCs with a global-product division structure, in other words, a global strategy (Caligiuri & Colakoglu, 2007).

Polycentric approach

Polycentric firms have a different focus. They do not value the idea of completely controlling their subsidiaries; instead they try to give the impression of being a truly local company (Perlmutter, 1969). These companies put a heavy emphasis on local differences and rely on financial controls for subsidiary management. Consequently, these firms frequently put HCNs, or foreigners, into leading management positions, and rarely make use of expatriates. Analogically, HCNs do not have the chance to seriously aspire for a career in the HQ (Perlmutter, 1969). Companies that use the polycentric approach are often referred to as multi-domestics, given their high level of subsidiary independence and local responsiveness (Gooderham & Nordhaug, 2003).

Geocentric approach

For a company that is influenced by the geocentric approach, nationality plays little role when allocating staff to foreign investments (Perlmutter, 1969). The key criterion is personal skills. As a consequence, in geocentrically influenced MNCs, one is likely to find third country nationals (TCNs)

in leading management positions, both in the subsidiaries and at the head office (Perlmutter, 1969). This approach comprises a high level of communication and collaboration between the head office and the subsidiaries in an effort to establish worldwide standards, allowing for certain local variations. Decisions can be made on the subsidiary level, and for this reason, the reward system motivates local managers to think globally (Perlmutter, 1969). The geocentric approach is often recognised by MNCs who seek a transnational strategy (Caligiuri & Colakoglu, 2007).

Regiocentric approach

Heenan & Perlmutter (1979) suggest a fourth approach to staffing, the regiocentric approach. The regiocentric approach is similar to the geocentric approach, but more constrained. A company that follows the regiocentric approach will select and allocate personnel according to the “best in the region” criterion. The company is organised within regions, instead of worldwide, and therefore, transfers are normally restricted to each region.

Each staffing approach has distinctive advantages and disadvantages so that there is no justification for generally praising or condemning any of the four. It should also be pointed out that it is unlikely that a company will adopt only one of the four attitudes and stick with it at all times. Often, a mix of different staffing approaches can be observed depending on the specifics of the situation (Collings & Scullion, 2006).

There are a couple of factors that influence the attitude that an MNC has towards foreign staffing decisions. The desired level of centralisation (for instance in decision-making) is certainly one of these factors. Others are the importance that a firm attaches to having a homogeneous corporate culture, and the extent to which they encourage knowledge-transfer. In addition to these internal factors, there are also some external factors that need to be considered. Namely, the socio-cultural surroundings a firm and its subsidiaries operate in, the level of technological development in the host country, and a variety of other aspects that can all be linked to cultural and institutional differences (Gooderham & Nordhaug, 2003).

2.1.3 Motives for Using Expatriates

Having discussed the different approaches towards global staffing, we will now discuss what motives MNCs have for using expatriates when staffing positions abroad.

Traditional view

In their landmark study, Edström & Galbraith (1977) suggest that MNCs have three main motives for using expatriates: position filling, organisation development and management development. As will be illustrated later, the rationale for using expatriates is often a combination of the three reasons (Collings *et al.*, 2007). However, Edström & Galbraith's (1977) typology serves as a helpful starting point for understanding why MNCs use expatriates.

Position Filling

The use of expatriates to fill a certain position in a subsidiary in a foreign country can mostly be found when this subsidiary is located in a developing or underdeveloped country where qualified local nationals are not available (Edström & Galbraith, 1977). In this case, the main task of the expatriate is to transfer technical knowledge (Harzing, 2001), and the expatriate is expected to educate host country nationals (HCNs) in management skills and methods (Gooderham & Nordhaug, 2003).

Organisation Development

In other cases, expatriates may serve as a means for organisation development (Edström & Galbraith, 1977). In this case, the role of the expatriate can be understood in terms of the idea of controlling the subsidiary, and ensuring a high and efficient level of coordination between the corporate head office and the subsidiary (Harzing, 2001). This organisation development strategy consists of two elements. Firstly, socialisation of both expatriate managers and local managers into a common corporate culture to ensure sustaining organisational structures and decision-making processes. Secondly, creation of social networks within the organisation that serve as links between the head office and the subsidiary (Harzing, 2001; Collings *et al.*, 2007).

Management Development

The third reason proposed by Edström & Galbraith (1977) is management development. In this case, the reason for the IA is developing the competences of the expatriated manager for future important tasks in subsidiaries abroad or at the home office (Harzing, 2001; Collings *et al.*, 2007). International assignments will enable managers to get a better feeling for their corporation as a whole, and that most managers will develop into a somewhat more sophisticated employee with an international mentality (Gooderham & Nordhaug, 2003).

Expatriates as Agents of Control

The control mechanism of expatriates has traditionally been seen as a way of supporting head office centralisation and ensuring that the subsidiaries are aligned with the head office's formal policies and procedures (Edström & Galbraith, 1977). Harzing (2001) argues that expatriates also effectuate personal/cultural control, both directly and indirectly. In her study, Harzing (2001) labels the control-specific roles of the expatriates as: bears, bumble-bees and spiders. *Bears* act as agents for the head office, replacing the centralisation of decision-making and providing a direct means of surveillance over subsidiary decisions. *Bumble-bees* move from subsidiary to subsidiary, enforcing control based on socialisation and the establishment of informal communication networks. The role of the *spiders*, on the other hand, is to weave a network of informal lines of communication within the MNC.

Harzing's (2001) study is significant because it goes beyond the basic motives for using expatriates; it also explores in what situations the different roles are most influential (Collings *et al.*, 2007). It is suggested that expatriates serve as bears regardless of the situation. However, the roles of bumble-bees and spiders are more dependent on the context. The bumble-bee and spider roles are found to be more important in old subsidiaries (more than 50 years), and in subsidiaries where the degree of local responsiveness is high. The mode of entry is also found to have an implication on the roles the expatriates play. Bumble-bees and the spiders are found to be more important when the mode of entry is acquisitions, whereas bears are more predominant in the case of green-field operations (Harzing, 2001; Collings *et al.*, 2007).

Expatriation and Knowledge Transfer

Realising that the use of expatriates still seems to be the preferred staffing option among MNCs despite the existence of qualified local managers has led researchers to discuss if the roles of the expatriates have changed over the last years (Bonache & Brewster, 2001; Bonache & Zarraga-Oberty, 2008). An important prerequisite for internationalising the business is that the company possesses knowledge that gives an advantage over local companies, and that compensates for the disadvantage of foreignness (Barney, 1991; Bonache & Brewster, 2001; Bonache & Zarraga-Oberty, 2008). However, internationalisation also gives the company exposure to new cultures, ideas and experiences that complement the knowledge that the company already possesses.

Knowledge, defined as a recipe that specifies how to carry out activities, can be either explicit or tacit (Bonache & Brewster, 2001). Explicit knowledge is codified knowledge that can easily be

communicated and shared across different units. Tacit knowledge, on the other hand, is embedded in the organisation or members of the organisation, and can only be revealed through its application (Gooderham & Nordhaug, 2003). In other words, if a company decides to transfer knowledge between different units, it must assign employees to foreign operations. Consequently, expatriates are increasingly looked upon as a basic mechanism for transferring tacit knowledge (Bonache & Brewster, 2001). Moreover, it is argued that regardless of the motives for deploying an expatriate, cf. Edström & Galbraith (1977), the outcome is transfer and flow of tacit knowledge from the head office to the focal subsidiary (Bonache & Brewster, 2001; Colakoglu *et al.*, 2009; Bonache & Zarraga-Oberty, 2008; Beaverstock, 2004).

There has been a lot of research on the topic of knowledge transfer by expatriates. However, most of the research has been descriptive, and lack empirical evidence.

Expatriation and Risk Management

As we have discussed in the previous section, a number of control specific mechanisms is associated with the use of expatriates. But a more specific and proactive sort of control is related to risk management. Several facets of risk have been identified by researchers, and risk management is today seen as part of internal controls of companies (Knechel, 2007).

For the purposes of this thesis, risk management will be discussed in relation to the cultural and institutional distance between the home country of the head office and the host country of the subsidiary. According to Boyacigiller (1990), the management of uncertainty and complexity, political risk at the subsidiary location, corruption levels and customer relationships are all aspects pertaining to cultural and institutional distance that will lead to an increase in the use of expatriates in foreign subsidiaries.

Gaur, Delios and Singh (2007) identify some additional aspects that can lead to an increased use of expatriates, namely, responses of local political systems to economic challenges, transparency in governance, and importance of business network and connections in the country of the subsidiary. They find that firms rely more on expatriates in institutionally distant environments, as the use of expatriates reduce potential risks perceived by the head office in these unknown and uncertain environments.

Cultural and institutional distance can be an obstacle to international operations, but Wilkinson *et al.* (2008) identify age and time as being catalysts for organisation learning and adaptation. This

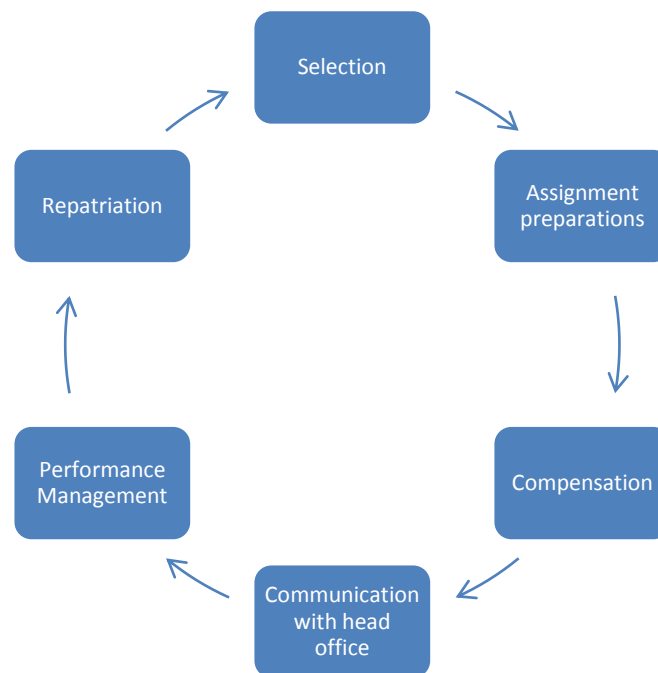
means that experience in different foreign markets - the relationships and market knowledge acquired over time – can help cope with cultural distance, risk and uncertainty. They conclude by stating that MNCs use more expatriates in early phases of a subsidiary than in the later years in order to better cope with the risks described above.

2.2 The Expatriation Cycle

The first part of the literature review has provided the reader with an understanding of how MNCs staff their global operations, and what motives MNCs might have for choosing to staff these positions with expatriates. The focus will now be to discuss the HRM activities MNCs carry out to manage its expatriates.

In the literature, the expatriation cycle is commonly seen as a set of HRM activities that influence the different stages of the IA (Bonache *et al.*, 2001). McNulty & Tharenou (2004) look at nine HR activities that take place during a long-term assignment: planning of the assignment, selection, administration of the relocation programme, compensation, training and development, family support practises, performance management, repatriation, and retention. Similarly, Harvey & Moeller (2009) suggest that the expatriate HRM process incorporates eight stages: identification, selection, training and development, compensation, performance appraisal, retention and turnover, succession planning, and repatriation. There are several ways of classifying the expatriation cycle and labelling the different HRM activities involved, but the main ideas seem to be consistent.

In this thesis, the expatriation cycle will be considered a six-step process (Figure 4) involving the following sets of HRM activities: *Selection, assignment preparations, compensation, communication with home office, performance management, and repatriation*. In the following, each of these HRM activities will be discussed in detail and the elements researchers identify as key factors, in order to successfully manage that particular part of the expatriation cycle, will be pointed out. Based on this discussion, a framework encompassing the ideal management of the expatriation cycle will be suggested.

Figure 4: The Expatriation Cycle

2.2.1 Selection

Being the first step in the expatriation cycle, the selection process is important in order to find the right individuals for an IA. It starts well before checking the pool of candidates.

The key to a successful selection process lies in having well defined purposes and goals for the IA. The design of the IA should meet clear business needs and have clear business goals (McNulty & Tharenou, 2004). It should also be aligned with the strategy chosen by the company and go beyond an immediate business issue (Black & Gregersen, 1999). Once this is done, it is important to find a candidate whose skills fit well into the planned purposes.

Technical skills alone are not enough to guarantee a successful IA and beneficial results on the company level. Cultural intelligence is probably just as important in the selection of expatriates. A number of characteristics have been put forth by scholars on this matter. Some of them comprise a drive to communicate (enthusiasm, extroversion and braveness), a broad-based sociability (capability to bond with locals), cultural flexibility (willingness to experiment), a cosmopolitan orientation (understanding of cultural norms), and a collaborative negotiation style (Black & Gregersen, 1999). Other traits such as empathy, respect, interest in local culture, tolerance, initiative, open-mindedness, a positive self-image, as well as other “soft skills”, are also very important for expatriate managers (Harvey & Moeller, 2009). Finally, the Big Five personality factors

– extroversion, agreeableness, conscientiousness, emotional stability, and openness – have also been identified as factors that facilitate adjustment (Caligiuri & Tarique, 2006).

According to Caligiuri and Tarique (2006), the selection of candidates should consist of three parts in order to be successful: (1) Setting realistic expectations regarding the assignment; (2) self-assessment conducted by the employee providing a structured method for self-analysis of fit; and (3) a comprehensive candidate assessment conducted by HR. The key elements of the selection process are shown in Table 1.

Table 1: Selection

HRM Activity	Ideal
Selection	<ul style="list-style-type: none"> • Connect the purpose of the IA to the selection process • Search for soft skills, together with technical ones • Candidate self-assessment, in addition to a comprehensive HR assessment

2.2.2 Assignment Preparations

By assignment preparations, all the activities comprised by the relocation process are considered; the family support, cultural and technical training and development, and support for installation of the family and the expatriate in the host location.

When it comes to relocation – both moving out of home country and installation in the host location – it is very important that all these processes run smoothly because this is the best tool a company has to facilitate the adjustment of the expatriate and his family (McNulty & Tharenou, 2004). Adjustment can be divided in general (culture and everyday life), interaction (with HCNs) and work adjustment, but another useful classification of adjustment is to divide it into psychological (emotional well-being and satisfaction) and socio-cultural (ability to fit-in and acquire skills) adjustment (Thomas & Lazarova, 2006). These definitions should guide the company in the preparations of IAs.

Training and development activities can be divided into ITAs (international training activities), focused on the short-term, assignment-specific issues, and IDAs (international development

activities) focused on long-term, competency development for future jobs (Caligiuri & Tarique, 2006). Given their cost, a company should use them wisely in order to be able to realise benefits.

Different kinds of training programs can be used to address the challenges of an IA: specific or general cross-cultural training and orientation, immersion-type cultural experiences, language training, cultural coaching or mentoring, and education in international management, among others (Caligiuri & Tarique, 2006). It is important, though, to make sure that the training programs chosen are linked to the objectives of the IA, and customised to the location and to the expatriate's past experiences and needs (McNulty & Tharenou, 2004).

The last key topic is family support. The willingness of the spouse to relocate, and meeting the children's educational needs, are among the most important decision criteria when an employee decides whether to take on an IA, and when such family barriers exist, the employee's willingness to expatriate is significantly reduced (Tharenou, 2008; Dickmann *et al.*, 2008; Harvey *et al.*, 1999). Spousal and family considerations are likely to become even more critical through the development of *dual-career families*, where both spouses are pursuing a professional career. As more women fill management positions and seek international assignments, companies must also be prepared to deal with male spouses who often intend to work outside home (Punnett, 1997; Harvey *et al.*, 1999).

The increase in dual-career couples and male spouses is likely to create higher expectations to the company when it comes to spouse support during the IA (Harvey *et al.*, 1997). Pursuing her own career, the spouse is less likely to give up her job to accompany the spouse on an IA. Unless the company provides services such as career development counselling, job hunting assistance or financial support that enables the spouse to undertake education, independent research or other productive activities, both the risk of expatriate failure and IA rejection are likely to increase (Punnett, 1997).

The elements found to be of particular importance in the pre-assignment phase are summed up in Table 2.

Table 2: Assignment preparations

HRM Activity	Ideal
Assignment preparations	<ul style="list-style-type: none"> • Orientation trip to the host-location • Extensive cultural training for expatriate and family • Schooling facilities for expatriate children • Compensation/job-hunting services for expatriate spouse

2.2.3 Compensation

The compensation package for expatriates consists of his base salary, and a number of allowances and the extra benefits provided by the company. The techniques the companies use when computing the expatriate salary will be introduced in section 5.1.3. This section will focus on the strategic issues related to the expatriate compensation package.

There are five main objectives of an ideal expatriate compensation – to attract personnel, to be cost-effective in the international transfers, to be consistent and fair in employee treatment, to facilitate re-entry to the home company, and to contribute to the organisational strategy (Bonache, 2006).

According to Bonache (2006), three approaches can be used when it comes to the compensation package: (1) the host-country approach, which places the expatriate in the host salary structure; (2) the global approach, which bases the pay on an international scale to facilitate mobility, and; (3) the home-country approach, which keeps the home-country's standard of living, and is consistent with the balance sheet approach. These approaches vary in cost, and it is very important that they are used in connection to the purpose of the IA. Compensation and reward systems are a powerful tool for expatriate motivation and performance, and the standardised packages fail in accounting for the different situations and objectives (McNulty & Tharenou, 2004).

According to Harvey & Moeller (2009), there are some problems that may arise as a consequence of the compensation approach chosen, and as a consequence of the IA itself. First, disparities between the expatriate compensation, and the compensation of locals and TCNs. Second, the impact of the family life cycle, and their needs. Third, the repatriation phase itself. Fourth, the compensation

legacy, the way it used to be done is no longer suitable for the new goals and assignments. Fifth, the difficulty in discerning allowances and hardship pay in less-developed economies. And, sixth, the impact of home-country changes for the stability of expatriate and family life upon return.

As pointed out in earlier sections, MNCs might have several reasons for staffing foreign subsidiaries with expatriates. Despite the alleged globalisation of businesses, the predominant trend in MNCs seems to be ethnocentric (Mayrhofer & Brewster, 1996). Such an approach is especially evident among Japanese MNCs, where according to a survey by Kopp (1994), 75% of their subsidiaries' directors are expatriates. The same pattern is, however, also viable in European and U.S. MNCs, in which expatriates occupy 54% and 51% of senior management posts, respectively.

Such a staffing approach does not come without a cost, clearly stated by Stroh *et al.*: "International assignments are also the single most expensive per-person investment a company makes in globalising its workforce, and, unfortunately, most firms are getting anemic returns on this investment" (2005:3). Paradoxically, research has shown that not only are MNCs lacking a clear understanding of the real costs associated with expatriation, they also have little knowledge of the benefits coupled with different types of IAs (Collings *et al.*, 2007).

Despite this limitation, it is commonly estimated that the costs associated with an IA are between three and five times an expatriate's home salary per annum (Selmer, 2001). Furthermore, a survey conducted by the Management Europe Centre (Bonache & Pla-Barber, 2005) reported that the salary cost of an expatriate is approximately three times higher than that of local employees. In addition to the salary cost of the expatriate, there are also substantial indirect costs that need to be taken into account: inability of the expatriate to adjust to foreign environments and cultures, issues related to dual career families, and glass-ceilings for local managers. These costs could have a significant impact, both for the company, and at the individual level.

The key elements with regards to expatriate compensation are shown in Table 3.

Table 3: Compensation

HRM Activity	Ideal
Compensation	<ul style="list-style-type: none"> • Attract personnel • Be cost-effective in the international transfers • Be consistent and fair in employee treatment • Facilitate re-entry to home company • Support the organisational strategy

2.2.4 Communication with Head Office

One topic that is not discussed much in literature is the extent to which expatriates keep in contact with the head office, both HR and business units, during the IA. Naturally, the degree to which this communication takes place will depend on the purpose of the IA, and the global strategy of the firm.

Another factor that can influence the degree of communication between the expatriate in the subsidiary, and the head office, is the line of command. In other words, if the expatriate is reporting to someone in the HQ, this level of communication will be higher than if he/she is reporting to someone present in the subsidiary.

Other features must also be taken into consideration in this process. According to Bonache & Zarraga-Oberty (2008), MNCs tend to rely on expatriates to transfer tacit knowledge. More than that, the fact that they can play the roles of bumble-bees and spiders, going from subsidiary to subsidiary as we have seen before, means that they can create a high level of relational social capital within the MNC which is a major source of competitive advantage for the firm (Colakoglu, Tarique, & Caligiuri, 2009).

Additionally, keeping a high level of communication between the expatriate and the head office can provide the subsidiary with positive attention from the head office and, as a result, increase its performance by highlighting its attractiveness for MNC foreign investment (Colakoglu *et al.*, 2009).

A high level of communication could also facilitate processes such as performance measurement and satisfaction evaluation; and it could lead to conversations regarding future career moves and

repatriation. On the employee side, he/she can also benefit from this communication since keeping themselves updated on what is happening in the head office is a good way of achieving future aspirations. It also demonstrates political skills desired for managers and leaders.

Based on the discussion above, the key elements of attention with respect to communication with the head office are presented in Table 4.

Table 4: Communication with head office

HRM Activity	Ideal
Communication with head office	<ul style="list-style-type: none"> • Good communication channels between the expatriate and the business • Constant follow-up of expatriates by HR • Knowledge transfer in the subsidiary to improve communication with head office

2.2.5 Performance Management

Expatriate failure has historically been mainly defined in terms of premature return or early recall, meaning that the expatriate returns to the home country at an earlier time than defined in the IA contract (McNulty & Tharenou, 2004). However, other factors such as underperformance of expatriates, repatriation problems, and the company's value of skills and competences developed during an IA, should also be considered (McNulty & Tharenou, 2004).

Most MNCs have a poorly developed, or non-existing, system for measuring the costs associated with expatriate failure, but research has shown that these costs might be substantial. For example, McKinsey has calculated that the direct costs of expatriate failure often can reach US\$1 million (Gooderham & Nordhaug, 2003, pp. 308-309). This cost includes time and money wasted in the selection process, pre-assignment visits to the host location, training, and reallocation packages. In addition, there might be considerable indirect costs related to damage of the company's reputation, loss of confidence among customers and suppliers, and loss of self-esteem by the failed expatriate.

Research has suggested that the main focus should be on the indirect costs of expatriation, and especially the damage to reputation in foreign markets and regions, as this impact potentially could

be highly devastating for establishing a strategic position in the respective market (Collings *et al.*, 2007). Collings *et al.* (2007) argued that future research should be more focused on expatriate performance, rather than expatriate failure. Given its importance, we shall now review the topic of expatriate performance management.

Performance assessment can be divided into task-based performance – related to accomplishing goals and objectives – and relationship-based performance – related to establishing and maintaining relationships with HCNs (Thomas & Lazarova, 2006). These different kinds of assessments can be used with different weights, according to the purposes of the IA.

Performance appraisal systems need to be based on valid criteria, and they should provide a systematic assessment of both the expatriate and the foreign subsidiary (Harvey & Moeller, 2009). It is crucial that it happens throughout the whole assignment duration – including the end of it – so that companies can have accurate information on whether the objectives are on or off track; if they are off track, provide companies with time to act proactively; and give insights into the company's HR activities and points of improvement (McNulty & Tharenou, 2004).

Given the challenges of the international environment, expatriates might not be able to perform at full potential at first. In these cases, the company can help by providing a remedial action program (RAP) consisting of feedback sessions with examples from real situations, an action plan with frequent performance measurements, quarterly reviews that become less frequent in case of improvement, or, in the worst case, leads to termination in case of deterioration (Harvey & Moeller, 2009).

A rule of performance appraisal is to maintain consistency in the system. But this can be a problem, because of the diversity of employees (managers) and external environments; the limited understanding of international differences; the differences between organisational structure, strategy and culture; non-comparable or missing data; time, cost and distance issues; and the need to use appraisal information for development plans (Harvey & Moeller, 2009). Therefore, if the company aims at better realising benefits from international assignments, it is important to customise the performance appraisal, accounting for different purposes and different types of jobs performed (McNulty & Tharenou, 2004). Our discussion about performance management of expatriates has emphasised four key features, as presented in Table 5.

Table 5: Performance management

HRM Activity	Ideal
Performance management	<ul style="list-style-type: none"> • Take into consideration task-based and relationship-based performance • Account for different purposes, types of jobs and environments • Systematic assessment of expatriate performance • Provide a Remedial Action Program (RAP) when needed

2.2.6 Repatriation

We define repatriation as the process by which the expatriate returns to the home country. Repatriation is one of the most important stages in the expatriation cycle, and the most overlooked by companies today (Black & Gregersen, 1999).

Several issues can cause problems during the repatriation phase: (1) the disappointment of not getting the chance to utilise skills and knowledge acquired upon return; (2) the changes that happened in the head office, and also in people's personal lives during the international assignment period (Black & Gregersen, 1999); (3) the withdrawal of expatriation allowances affecting the family's financial situation; (4) the reintegration of the children and the spouse; (5) the re-entry position at the home company; (6) the lack of succession planning for the expatriate position in the subsidiary; and (7) a lack of a well-articulated career path and so on (Harvey & Moeller, 2009).

All these issues can severely affect the capacity of the company to realise the benefits of expatriation because many of them can cause problems related to the retention of repatriates. Even worse, these employees will often seek better conditions with the competition, who will be the ones to benefit from the results of the IA, especially in cases where the purpose was management development (Black & Gregersen, 1999).

Repatriation can deliver considerable benefits to the company because when the international expertise of repatriated staff is internalised, it will improve strategic capabilities (McNulty &

Tharenou, 2004). Therefore, it is worthwhile to plan and manage this stage appropriately. First, it should be linked to the purposes defined in the beginning of the IA (McNulty & Tharenou, 2004). Second, it should start well before the returning date. Some say 3 to 6 months before (Black & Gregersen, 1999); others argue that it should actually start before the expatriate leaves the home company (Harvey & Moeller, 2009).

According to Black and Gregersen (1999), it is important to include the expatriates in the job relocation process because they feel that they are valued and treated fairly. It is also very effective to prepare them for the changes that took place in their personal and professional landscapes (Black & Gregersen, 1999). For instance, a debriefing program that focuses on common repatriation difficulties could improve the process.

Harvey and Moeller (2009) argue that, first; the repatriation process should consider the impact of the assignment on the expatriate. Second, that the repatriation discussions should be a routine process during the IA, and that detailed discussions about positions should begin at least a year before the return. And third, that the actual return should be well-articulated and that the career path should be a central focus of the process.

The techniques described above aim at providing a well-articulated repatriation process and, consequently, avoid turnover and to keep retention numbers high. This is a special point of attention when it comes to employees considered as talents or high performers (McNulty & Tharenou, 2004).

Our discussion about repatriation has pointed out a number of key elements that need to be taken into consideration in the repatriation process. These elements are shown in Table 6.

Table 6: Repatriation

HRM Activity	Ideal
Repatriation	<ul style="list-style-type: none"> • Repatriation process linked to the purpose of the IA • Start the repatriation process in advance • Attempt to match career prospects of expatriates • Include expatriates in the repatriation process • Debriefing about the new reality at the head office • Ensure the use of acquired knowledge in new position • Mechanisms for knowledge transfer at head office upon return

2.2.7 Theoretical Framework

In the discussion of the HRM activities supporting the different stages of the expatriation, several key elements have been derived. Together, these provide a framework that can be seen as the ideal way of managing expatriates from a theoretical perspective.

The suggested theoretical framework is presented in Table 7.

Table 7: Ideal Management of the Expatriation Cycle - Theoretical Framework

HRM Activity	Ideal
Selection	<ul style="list-style-type: none"> • Connect the purpose of the IA to the selection process • Search for soft skills, together with technical ones • Candidate self-assessment, in addition to a comprehensive HR assessment
Assignment preparations	<ul style="list-style-type: none"> • Orientation trip to the host-location • Extensive cultural training for expatriate and family • Schooling facilities for expatriate children • Compensation/job-hunting services for expatriate spouse
Compensation	<ul style="list-style-type: none"> • Attract personnel • Be cost-effective in the international transfers • Be consistent and fair in employee treatment • Facilitate re-entry to home company • Support the organisational strategy
Communication with head office	<ul style="list-style-type: none"> • Good communication channels between the expatriate and the business • Constant follow-up of expatriates by HR • Knowledge transfer in the subsidiary to improve communication with head office
Performance management Performance management (continued)	<ul style="list-style-type: none"> • Take into consideration task-based and relationship-based performance • Account for different purposes, types of jobs and environments • Systematic assessment of expatriate performance • Provide a Remedial Action Program (RAP) when needed
Repatriation	<ul style="list-style-type: none"> • Repatriation process linked to the purpose of the IA • Start the repatriation process in advance



- Attempt to match career prospects of expatriates
- Include expatriates in the repatriation process
- Debriefing about the new reality at the head office
- Ensure the use of acquired knowledge in new position
- Mechanisms for knowledge transfer at head office upon return

In the findings chapter (chapter 5) the ideals will be compared to the realities of the case companies to see to what extent there is a deviance. This analysis will further serve as a basis for discussing if any deviations observed may potentially imply that the companies are underperforming, and what the companies can do to address these issues.

3. Case Presentation

This chapter will acquaint the reader with the two MNCs studied, Jotun and Statoil. The presentation is divided in three parts; company history, international strategy, and a description of each company's expatriation policies.

3.1 Jotun

3.1.1 Company History

The Jotun Group is a Norwegian paints and coating company, founded in 1926 by Odd Gleditsch (Jotun, 2009g). Its current structure is the result of the 1972 merger between the four largest coatings producers in Norway¹ (Bryn, 1998). Today, the group consists of 74 companies and 40 production facilities, with offices in more than 80 countries on all continents, while the head office is still based in Sandefjord, Norway, where Jotun was first established (Jotun, 2010). The Jotun Group currently employs around 7400 employees and is acknowledged to be one of the 20 largest paint companies in the world (Jotun, 2010).

We can get a quick insight into Jotun's values from its corporate vision: "Jotun A/S will enhance long-term competitiveness and financial performance through a responsible approach, attitude and action regarding Health, Safety and Environment" (Jotun, 2009e). All of these are comprised into the so called "Penguin culture", i.e. the set of values common throughout Jotun, which are inspired by the penguin's image and behaviour. Boldness, loyalty, care, and respect are also included in Jotun's core values, and the penguin image and logo convey them across countries, latitudes and longitudes (Jotun, 2009d; Jotun, 2009; Bryn, 1998). Being able to associate the corporate values to a widely known image, such as an animal, makes it easier to convey them, and to keep them in mind. The penguin also suggests additional characteristics, such as reliability and resistance to hardships, related to the habitat it lives in, and these can easily be transferred to Jotun's products in the mind of its customers: marine coatings and outdoor paints, for example, have to endure some of the same hardships that penguins experience. In this sense, the penguin is not only vested with values that appeal to employees and workers, but also to those outside the company. Since 2006, yearly

¹ The Jotun Group Alf Bjercke A/S, Fleischers Kjemiske Fabrikker A/S, A/S De-No-Fa og Lilleborg Fabrikker, and A/S Jotun Odd Gleditsch.

events have been held to strengthen the penguin culture, alongside shared company values and culture. In the 2007 annual report (Jotun, 2009a), Jotun Group President and CEO Morten Fon proclaimed that “the passion demonstrated by the organisation made a real impact on how we work” and that “these gatherings help build a sense of teamwork across different divisions, segments and work environments. For such a large and diverse organisation, it is important that we reinforce our shared values and work together to achieve common goals. After all, Jotun’s greatest asset is the people in our organisation”.

3.1.2 International Strategy

Jotun is currently operating in four distinct product markets: decorative paint, marine coatings, protective coatings, and powder coatings (Jotun, 2010). Being an international company, 78% of Jotun’s sales are outside of Norway, and its forecasted future growth is expected to be highest in the developing world (Aspaas, 2008). The offices and plants outside of Norway will, therefore, be in great demand for both managerially and technically skilled personnel to assist with this growth.

Jotun has a strong quality focus in all of its product markets. Through organic growth and continuous innovation, the company aims at being among the top three players in its selected markets. In order to achieve this goal, it is essential that Jotun manages to establish long-term relations with its employees and develop managers that understand international business, and that are able to transfer Jotun’s values and standards within the organisation.

3.1.3 International Assignee Policy

Jotun first started sending out expatriates in the early 1960s after it had established its first factory abroad. Since then, the company has been expanding rapidly and has sent numerous expatriates in order to uphold their product quality at their international plants (Jotun, 2009c; Jotun, 2009h). According to the company, a vital part of its international success has been the willingness of Jotun employees to work abroad as expatriates for a long time period (Jotun, 2009f).

From Jotun’s own International Assignment Policy, it is stated that the main objectives of their expatriation policy are the following (Jotun, 2009f, p. 3)

- Facilitate organisation, business and individual development by transfer of best practise/managerial or professional expertise from one Jotun operation to another;
- Contribute to further development and awareness of a strong Jotun culture and values;

- Increase Jotun's international activities.

As of March 2010, the Jotun Group has 52 expatriates on long term assignments. Over the last years there has been an increase in the number of expatriates from about 40 expatriates only a few years back. The increasing number of expatriates is mainly attributed to Jotun's growth. Thirty-three of the long-term assignees are Norwegians, and the remaining pool is a mix of different nationalities, with Brits, Singaporeans and Danes comprising the largest groups. The development over the last years shows that the number of non-Norwegian expatriates is on the rise. The majority of the expatriates are males and currently there are only two females among the Jotun expatriates.

3.2 Statoil

3.2.1 Company History

The Norwegian national oil company, Statoil, has played a significant role in the development of the petroleum sector in Norway. Since it was established by the Norwegian Parliament, Stortinget, in 1972, Statoil has been a driving force for the petroleum industry in Norway (OED, 2009b). As early as in 1973, the company started acquiring petroleum businesses (Austvik, 2007). In the beginning, the focus was on mainland instalments, such as the Rafsnes and Mongstad refineries, but the company later has also been responsible for the development of several large production facilities offshore, such as the Gullfaks, Sleipner, Åsgård, and Snøhvit fields (Austvik, 2007).

Statoil remained wholly state-owned until 2001 when the company was partly privatised and listed on the Oslo and New York stock exchanges. After the initial offering, the Government share was reduced to 81.7%. The remaining shares were controlled by private investors and institutions. The Government share was further reduced to 70.9% after two offerings in 2004 (OED, 2009b).

Another major milestone in Statoil's history was the merger with the oil and gas division of Norsk Hydro ASA. The merger was approved by the Storting in June 2007, and after both companies' extraordinary general assemblies had approved the transaction, the merger became a reality on October 1, 2007 (OED, 2009b; Statoil, 2010).

The Norwegian Government's share of the merged company was reduced to 62.5%, but it has been signalled that the Government might increase its share up to 67% (OED, 2009b). Statoil competes on equal terms as other players on the Norwegian Continental Shelf, but the companies continue to

play a significant role for the petroleum industry, and it is an important political principle that Statoil retains a Norwegian base (OED, 2009a; OED, 2009b).

Statoil is today among the 50 largest companies in the world, it is the operator of 39 production fields worldwide, and it is world-leading in the area of deep water drilling (Statoil, 2010).

3.2.2 International Strategy

Statoil currently runs activities related to oil – extraction of crude oil and trading of refined products, production and sales of liquefied natural gas (LNG), trading of methanol, and CO₂ storage. It also researches the fields of renewable power production (wind, geothermal, wave, solar, and tidal energy), and sustainable fuels, such as bio fuel and seaweed. Operating in 40 countries, on all continents, Statoil has ambitions to grow even further (Statoil, 2009a). It aims at becoming a global player, transferring its knowledge through partnerships with local companies around the world. To accomplish this, Statoil will need expatriates who are acquainted with the company culture and values, and that carry the company experience.

With great investments in technology and innovation, Statoil aims at being one of the leading global players in the energy industry and at helping in the fight against climate changes. The international strategy of the company, in the short- and medium-terms, aims at applying the existing technology and experience on new opportunities, and on different types of oil production than Statoil is used to in the North Sea. In the long run, Statoil's focus will be on diversification both in terms of geographical locations and production methods (Statoil, 2009b). Having loyal and dedicated employees willing to apply the company's expertise, and transfer its culture abroad, will be a key capability during the internationalisation process.

3.2.3 International Assignee Policy

Statoil has deployed a few expatriates abroad in the past decades, but the use of expatriates has become more common in the last years given the focus on the international growth strategy. For this reason, the International Assignee Policy in Statoil is quite new, and it could be said that it is still under discussion in order to become a more transparent and equalitarian system throughout the whole organisation if compared to the case-by-case approach adopted in the early years of the process (Kuznetsova, 2009).

According to Kuznetsova (2009), the main reasons for expatriation in Statoil are:

- Skill transfer, due to the lack of qualified personnel in the local market;
- Cultural or corporate governance transfer, especially in the case of new ventures, start-ups; and
- Employee development and training.

We have learned from our interviews that Statoil has approximately 900 expatriates around the world today. Out of these, about 700 are outbound from Norway, 100 are inbound to Norway, and the last 100 are third-country nationals in different countries. The largest destinations for Norway outbound today are Brazil, the Gulf of Mexico, Angola, USA, Russia, and France – where the company has, or operates, some of its big international projects. As expected, a large amount of these expatriates possess a technical background, but there are also expatriates sent on corporate assignments, most of them responsible for business development (Kuznetsova, 2009).

Roughly 80% of the expatriates today are Norwegian outbound, a number that has already reduced if compared to 100% a few years back. The projection is that this number will keep decreasing in the coming years given a larger exchange of TCNs among subsidiaries. To this date, the company has no official statistics on the number of female employees, but it estimates, with certainty, that female employees comprise less than half of the employees under international assignments. The duration of IAs range from 2 to 3 years, with the possibility to extend this period. There are cases, especially from the old system, in which expatriates were out for 9-10 years (Kuznetsova, 2009).

4. Methodology

This chapter describes the research design and the methodology applied in this thesis. This chapter will also argue why these methods have been chosen with focus on reliability, validity and generalisability. Lastly, the limitations of the methodology applied will be discussed.

Methodology is a tool to describe reality (Johannessen, Tufte, & Kristoffersen, 2005) that gives researchers advice on how data can be collected, processed and analysed (Hellevik, 2009). The choice of methods has implications, both for the way in which the research is conducted, and the interpretation of the results (Johannessen *et al.*, 2005). The considerations made in this chapter are made both with respect to our own research process, but they also serve as a basis for the reader to evaluate the results. This chapter includes a general methodical discussion, as well as descriptions of how the research has been conducted.

4.1 Research Questions

When arguing for the choice of research designs, and means of gathering data, it is vital to keep the problem statement for the research in mind. It is the problem statement that determines the choice of theory and research design, not the other way around (Johannessen *et al.*, 2005). The problem statement has been defined as:

Does the divergence between the academic ideals and the realities of the companies studied lead to underperformance? And how can companies enhance the value of expatriation by approaching academic ideals?

In chapter 2.2.7, a theoretical framework was suggested. The six steps of the expatriation cycle were presented with their respective ideal HRM practises, which are supposed to maximise the realisation of benefits stemming from expatriation.

We find that the theoretical framework is appropriate in order to analyse the problem statement, namely to identify the divergence between the ideal world and the realities of Jotun and Statoil, and to analyse whether this deviance triggers underperformance and suggest areas where approaching the ideals can improve the companies' internalisation of benefits.

4.2 Research Design

Research design is a detailed description of the structured process of the complete research methodology (Johannessen *et al.*, 2005). Today, it is common to take on a pragmatic approach to research methodology where the choice of research design is made based on the research questions and the object that is to be examined (Saunders, Lewis, & Thornhill, 2003).

Research design can be divided into three main categories: exploratory, descriptive and explanatory (Saunders *et al.*, 2003). Exploratory design is used when the researcher tries to give an overview and an understanding of a topic, and is particularly useful when dealing with complex and unclear problems. Descriptive design aims at giving a detailed explanation to a certain situation or phenomena. Explanatory design is used when the researcher seeks relationship between different variables. As argued in the previous section, the aim of the thesis was to (1) assess the relationship between a company's HRM practises toward expatriation and the ideals suggested by the academic world, (2) analyse whether this distance triggers underperformance, and (3) whether an approximation to ideals could increase performance. This framework, thus, suggests an exploratory research design.

Two central dimensions in research design are depth and breadth (Hellevik, 2009). The depth dimension refers to the number of variables to study, and the breadth refers to the number of units included in the research. It can be argued that the ideal research design would be to analyse a large number of variables across a large number units. However, pursuing such an approach would be both costly and time-consuming. Moreover, introducing too many variables and units would most likely increase the complexity of the findings making it difficult to address the research questions at hand. It is, therefore, suggested that the research should either be extensive, intensive or mixed. Extensive research is general studies across several units, intensive research is in-depth studies on a few units, and mixed studies are a combination of the two. Given that the time-frame of the research was only one term, and that a clear, in-depth understanding of the problem statement was desirable, an intensive research design was found appropriate.

Given the nature of our problem statement, and the cost and time issues constraining the research process, a case study approach was chosen. The term case originates from the Latin word *casus* which means occasion (Johannessen *et al.*, 2005), and case studies involve gathering as much detailed data as possible on a particular contemporary phenomenon in its real life context (Johannessen *et al.*, 2005; Saunders *et al.*, 2003). The research objects for our case study were the

Norwegian MNCs Jotun and Statoil. The next section will give some *raison d'être* for why these particular MNCs were selected.

4.3 Choice of Research Objects

Both Jotun and Statoil are sizable companies by Norwegian standards, operating in a large number of overseas markets. The use of IAs has been an important part of their International HRM strategy. In light of the current global economy, and the increasingly competitive environment, both companies are under a continuous pressure to effectively manage their costs of operations. There is awareness that IAs impose a considerable cost for the company, and to increase the effectiveness, and to streamline their IA policies, is an area of attention.

Despite the many similarities between the two companies, there are also significant differences. Founded in 1926, Jotun has an old history. Ever since they opened their first overseas factory during the 1960s, expatriating employees has been a central part of their global growth strategy providing them with vast experience with expatriation practises. Today, close to 80% of Jotun's production and sales are outside Norway. As of this date, Jotun is a privately owned company, and it has as a general rule pursued a growth strategy in the form of green-field operations rather than alliances or mergers and acquisitions. The company aims at being a world-leading paint producer, and is highly committed towards maintaining high and consistent quality standards globally.

Statoil, on the other hand, was founded as a political initiative after the discovery of oil on the Norwegian Continental Shelf in the late 1960s. Today, the company is partially privatised and is listed at the stock exchanges in Oslo and New York. Statoil is the world-leader in deep-water extraction techniques. For many years, Statoil was primarily a domestic company. During the recent years, however, global operations have become more and more important, increasing the use of expatriates. Noticeably, the company has a far more recent history on the broad use of such practises. International expansion for Statoil usually happens in the form of alliances with local or national companies given local legislation and political issues brought by the oil and gas business.

We believe that Jotun and Statoil are well-suited to explore the problem statement for this thesis. They are fairly representative of the Norwegian market, but their distinct backgrounds lead them to approaching expatriation in different ways. The fact that the companies are in different stages of their internationalisation process – Jotun being very established and Statoil being a relative new-

comer – and the fact that Statoil has a fairly sizable operation, while Jotun has a more modest one, suggests that differences could be found in their HRM practises. This should, therefore, allow for interesting comparisons between the two companies as to what extent their expatriation policies are in line with the academic ideals.

Furthermore, the authors possess an extensive network within both companies, which facilitates access to quality information key to the purpose of this master's thesis.

In conclusion, Jotun and Statoil differ along two main dimensions. First, Jotun possesses a vast experience within the area of expatriation, while Statoil is entering relatively new terrain. Second, regardless of the amount of experience in the area, Statoil is managing a sizable operation with more than 900 expatriates, while Jotun has only about 50 expatriates. We believe these companies are in line with our research purposes, presenting relevant characteristics that can bring unique insights.

4.4 Information Gathering

When gathering information the researcher can choose between quantitative and qualitative techniques (Johannessen *et al.*, 2005). Quantitative techniques are used for collection of large amounts of data, and could for that reason be suitable for extensive research designs. Qualitative techniques, on the other hand, are used when studying social phenomena in depth. The aim of qualitative research is the understanding of reason and behaviour. As opposed to quantitative research, qualitative research addresses why and how a phenomenon occurs, not only what, where and how. Given the exploratory and intensive nature of the research, qualitative information gathering techniques were chosen.

It could have been possible to include a survey as a screening technique in order to identify which factors would be relevant for this research, but given that the authors already had explored the topic when writing a term paper in International Organisation and Management (INB400) in autumn 2008, determining the key focus area for this thesis was less of an issue. One could also argue that a quantitative research approach could lead to significant results for the whole organisation, while the qualitative research is more focused on a specific area. But given that the topic we have chosen was little explored in previous research, a quantitative technique with pre-determined categories

would limit the possibilities of making adjustments during the course of the research and, therefore, be unsuited to address the questions raised.

4.4.1 Selection of Informants

In order to address the problem statement of the research it was found important to include both informants from the HR departments of Jotun and Statoil, as well as interviews with current expatriates and repatriates.

The purpose of the interviews with the HR department informants was mainly to identify the MNCs' global strategies, and the purpose of their inherent IA policies. Interviews with the current expatriates enabled us to learn more about the role that these individuals play in the foreign subsidiaries where they currently are posted, as well as to identify potential discrepancies between the role intended by the corporate HR, and the actual role played.

The selection of informants was restrained, both with respect to the time we had available, as well as costs and access to resources. In agreement with the HR departments of Jotun and Statoil we therefore decided to concentrate our expatriate interviews to three locations. The Jotun expatriates were posted at the Shanghai and Zhangjiagang offices in China, and in Dubai. The Statoil expatriates were posted in Dubai in UAE.

The reason why we wanted to interview Jotun expatriates in China is that China is among Jotun's fastest growing markets, and is likely to continue playing a substantial role for Jotun's development also in the future. The choice of China is further actualised by the challenging business environment multinational companies have to adapt to in China. Conducting interviews in China was also convenient as one of the authors was on exchange there during the first phase of the information gathering process. For the second round of expatriate interviews, the Dubai office was chosen. Jotun has a long history in Dubai establishing its first factory back in 1975, and the presence in Dubai has played a significant role in Jotun's internationalisation. Dubai is the location for a large number of expatriates, and we believe that the successful experiences from Dubai are highly suitable for comparison purposes. For the case of Statoil, all interviews with current expatriates were conducted in Dubai. Some of the expatriates, both from Jotun and Statoil, had experience from previous IAs at different locations.

The interviews with repatriates in Sandefjord and Stavanger, respectively, were mainly restricted by the availability of personnel with experience from previous LTAs. The repatriates interviewed had been on assignments to a wide range of countries, including Singapore, Malaysia, Dubai, and China.

4.4.2 Interview Guides

The interview guides for the interviews were structured and designed on the basis of company documents (i.e. annual reports and IA policy documents), and a preliminary review of available literature. A semi-structured interview guide was used in order to allow for the interviewees to speak open-mindedly and without limitations about their experiences. It also motivates the interviewee to discuss areas in which the company has little insight or knowledge (Saunders *et al.*, 2003).

The semi-structured interview template aimed at the current expatriates was designed to address the following key areas: responsibilities at the subsidiary, details about the IA and expatriate's motivation, the selection process, pre-departure preparations, on-location adjustment process, compensation, performance and challenges, head office contact, and expectations for repatriations. The same interview template was utilised for the repatriates, but more emphasis on the repatriation process was given. Please refer to appendix 1 for a copy of the interview guide.

The interview guide for the HR managers was designed to identify the strategic rationale for the MNC's IA policies, and focused on: motivations for using expatriates, specifics about the IAs and selection processes, composition of the compensation packages, relocation support and training, troubled areas, repatriation, and perceived benefits of using expatriates. Please refer to appendix 2 for a copy of the interview guide.

4.4.3 The Interviews

A total of 15 interviews were conducted with current expatriates: 12 from Jotun, 8 in China and 4 in Dubai, and 3 from Statoil, all of them posted in Dubai. The interviews with the repatriates included 2 Jotun employees, and 4 Statoil employees. The interviews at the corporate HR departments included 2 interviews at Jotun, and 2 at Statoil. In total, 25 interviews were conducted as a base for this research. Each interview lasted between 45 and 90 minutes, were recorded with the informants consent, and later transcribed. All interviews were conducted in English, with the exception of 2

interviews from China, which were conducted in Norwegian. Please refer to Table 1 for an overview of the interviews conducted.

Table 8: Interview overview

Company/Status	Corporate HR	Expatriates (China)	Expatriates (Dubai)	Repatriates	Total
Jotun	2	8	4	2	16
Statoil	2	0	3	4	9
Total	4	8	7	6	25

Most of the interviews were conducted with employees who held management positions. Within Jotun, the expatriates occupied positions such as General Manager, Operations Manager, Product Manager, R&D Manager, and Technical Sales Support Manager. The same was true for Statoil; most of the expatriates, currently on an IA or already repatriated, held management positions in Business Development, Trading or Business Support related functions. Few of the interviewees had a purely technical background.

In the interview process, face-to-face interviews were opted. Face-to-face enhances the clarity of the conversation through the transmission of non-verbal messages. More importantly is the cultivation of trust between the researchers and the interview object. In order to fully achieve the goals of our thesis, it is crucial to achieve a large degree of cooperation with the expatriates we interview. This involves talking about personal experiences that they might not be comfortable talking about to someone that the person in question has never met before.

4.5 Analysis and presentation of the results

After transcribing the interviews, we were dealing with more than 200 pages of data material. The data was classified into different categories derived from the theoretical framework presented in chapter 2.2.7. During the categorisation process we realised that some of the categories were too broad, and to ease our analysis we, therefore, saw the need to divide some of the categories into several subcategories. An example of this was the “repatriation” category, which was divided into three sub-categories: “expectations”, “process” and “employee satisfaction.”

The structure of our analysis is based on the theoretical framework. It has been argued that such an approach is disfavoured because of the “possibility of introducing a premature closure of the issues to be investigated, as well as the possibility of departing excessively from the views of participants in a social setting” (Saunders *et al.*, pp. 388-389). However, departing from the theoretical framework provides a logical structure for the analysis utilising previous research that has been conducted on our research topic. An important part of the data analysis was to identify common patterns in the data material. However, as mentioned previously, the two companies analysed differ in certain ways, and these differences will, hence, be pointed out. It should also be pointed out that not all issues brought up in the interviews have been included in the analysis. Only issues that were repeated by a majority of the informants will be discussed.

4.6 Evaluation of the results and methodology

Within all research it is important to establish credibility to the research findings. In the following, the quality of the results and research design will be evaluated based on three criteria: *reliability*, *validity* and *generalisability*.

4.6.1 Reliability

Reliability is related to whether the research is conducted in an accurate and trustworthy manner (Thagaard, 1998). With respect to reliability, it is essential to evaluate whether the research would yield the same results on other occasions, whether similar observations would be yielded by other observers, and whether there is transparency in how the data was analysed and how conclusions were drawn (Saunders *et al.*, 2003).

Saunders *et al.* (2003) discuss four threats to reliability: participant error, participation bias, *observer error*, and *observer bias*. Participant error refers to the fact that the setting in which the research is conducted may influence the results. Participation bias refers to situations in which the participant only tells parts of the truth or directs the conversation into a certain direction. *Observer error* is the threat that the observer does not fully capture the meanings expressed by the participants, whereas *observer bias* implies that the observer interprets the data in a certain way.

Participation error

In order to overcome the threat of participation error it was important to communicate that participating in the research was strictly voluntary. Contact with the participants was made through

our contact person at the head offices of Jotun and Statoil, respectively. Our contact persons sent a general inquire to the potential expatriates at the offices we decided to focus on, which we in turn established contact with if they agreed to participate in the research project. When scheduling interviews with the participants, we demonstrated a high degree of flexibility so that the interview would not interfere with the participants other work duties. Furthermore, in order to increase the level of comfort, and to facilitate the cultivation of trust between the participants and the observers, we strongly opted for face-to-face interviews in the participants' work environment during normal work hours. One potential source of participant error may be the fact that most interviews were conducted in English, which was the native tongue of only a few of the participants. Most the participants were Norwegian, and it is likely that participants would be able to communicate more freely and with a richer language if interviews were conducted in their native language. Having said that, the working language in both Jotun and Statoil is English, and all the participants interviewed demonstrated a high degree of fluency in the English language. For that reason, we find it unlikely that the language issues have considerably altered the results of the research.

Participation bias

With respect to participation error, there are several different aspects that need to be reflected upon. One argument against full reliability is the risk that participants will try to give a positive impression of their organisation and organisational practises by consciously neglecting potential negative issues. This practise can both be motivated by loyalty to the organisation and a fear that negative statements can cause repercussions from superiors and/or co-workers. In the interview process, it was very important to communicate that all recordings and transcriptions would be treated with confidentiality. For that reason, all participants received assurances that quotes from the interviews would only be used with the participant's consent. Moreover, all quotes presented in our analysis have been anonymised so that they cannot be tracked directly back to the participant. As indicated before, it was important for us to be able to conduct our interviews in the participant's natural work environment. We believe that choice of setting had importance both for the confidence of the participant and the level of trust established during the interview. We consciously used the interview to create an open and trustworthy atmosphere, and for that reason questions of a sensitive nature were asked at the end of the interview.

The fact that participation in the project was voluntary is also believed to be a means for ensuring that the participants tell the full truth in answering the questions. Several participants, both among

the HR representatives, the expatriates and the repatriates, showed a genuine interest in our research project. Our research discusses issues that are of great relevance for the companies today, and participation in the project was, to a large extent, motivated by the hope that our research can help the companies develop their processes with regards to expatriation and repatriation.

Reliability and the observer role

To minimise the risk of observer error, all interviews were recorded and formally transcribed before the analysis was conducted. Both the recordings and the transcriptions were discussed among the authors to ensure that a common understanding of the material had been reached. In cases of discrepancies, the participants were contacted so that the expressed meanings could be clarified. The recordings were, in general, of high quality and few problems were encountered when transcribing the interviews.

With respect to observer bias, there are several issues that need to be taken into consideration. The interview is not a conversation between two assimilated participants, and personal background and socio-cultural background can potentially affect the data that is collected (Saunders *et al.*, 2003). Both of the authors are business students, and the research approach we take on is influenced by the analytical capabilities we have developed during several years of business studies. With respect to that, we see that one potential drawback might be that we do not fully comprehend the importance of the technical issues that were discussed by the participants with technical background. We tried to deal with this challenge by intentionally putting ourselves into the student role in the interview process encouraging the participant to explain the meaning and impact of the technical issues brought up.

Before conducting the interviews, we had conducted an extensive review of the literature available on the topic of the research, and we cannot rule out the chance that this has affected the interviews, and the way in which data has been analysed. We would, however, argue that conducting research in this area without a theoretical understanding about the topic would make it very difficult to design the interview guide, and to ask follow-up questions during the interviews.

Qualitative research, in general, poses challenges to the question of reliability. An underlying assumption for using a qualitative research design is that the phenomenon that is to be studied is complex and dynamic (Saunders *et al.*, 2003). The value of applying a non-standardised approach lays in its ability to cater for this complexity (Saunders, Lewis, & Thornhill, 2003). A consequence of using qualitative techniques when gathering data is that it is practically impossible for other

researchers to duplicate the research (Johannessen *et al.*, 2005). Furthermore, in qualitative research, the researcher uses himself as a tool, and since every researcher has a different background, it is therefore impossible to fully understand the way in which the researcher interprets his results (Johannessen *et al.*, 2005). When building reliability into our research it has been important to provide the reader with both a thorough description of the research context, and to explain the choices that have been made with respect to research process, choice of methods, and analysis of data.

4.6.2 Validity

Validity is related to the interpretation of the results, and to what extent the results explain what they are supposed to explain, with no underlying reasons (Saunders *et al.*, 2003). In other words, results are considered valid if they, in a correct manner, reflect the purpose of the research and reflect reality (Johannessen *et al.*, 2005).

In our research, we conducted interviews among a sample of expatriates and repatriates in Jotun and Statoil. With respect to validity, a key question is, therefore, whether the results from these observations are applicable to the organisations as a whole. The validity of our research can be questioned for several reasons.

As noted earlier, the research involved interviews with a total of 25 individuals, 15 current expatriates, 6 repatriates and 4 representatives from Corporate HR. In Jotun, we interviewed a total of 12 expatriates, which corresponds to about 20% of all current Jotun expatriates. The Statoil interviews included only 3 expatriates out of a base of approximately 700 current expatriates. The interviews with the repatriates also counted for only a small portion of all the employees that had been on IAs. In our analysis, we carefully took the size of the samples into consideration, and only issues that were raised by a majority of the interviews have been discussed.

Another validity issue is the choice that was made regarding the location of the expatriates. Choosing to interview Jotun expatriates in China made sense because of the Chinese market importance for Jotun's global business, and the cultural challenges that we anticipated to come across there. At the same time, it made sense to include Dubai in the research since Dubai is one of Jotun's most established operations abroad, and the location to which Jotun sends the most expatriates. Interviewing Statoil expatriates in Dubai gave us a basis for comparison between Jotun and Statoil, both with respect to company-specific difference, and differences in IA policies due to

the fact that Jotun is a mature organisation and Statoil is a new-comer in the region. We cannot rule out the chance that the results would be different if expatriates from different locations were interviewed, and the results presented should, therefore, be interpreted with caution.

It would be desirable to conduct more interviews to better reflect the IA policy for the organisation as a whole, but given the constraint with respect to time, costs and availability of resources, that was not feasible for this study. To conclude, this study argues what might be challenges to the current policy, and not the extent of these challenges or whether they are applicable for the entire organisations.

4.6.3 Generalisability

Generalisability can be referred to as external validity (Saunders *et al.*, 2003). Generalisability is concerned with the extent to which the results from one research setting can be applied to other settings, such as other organisations.

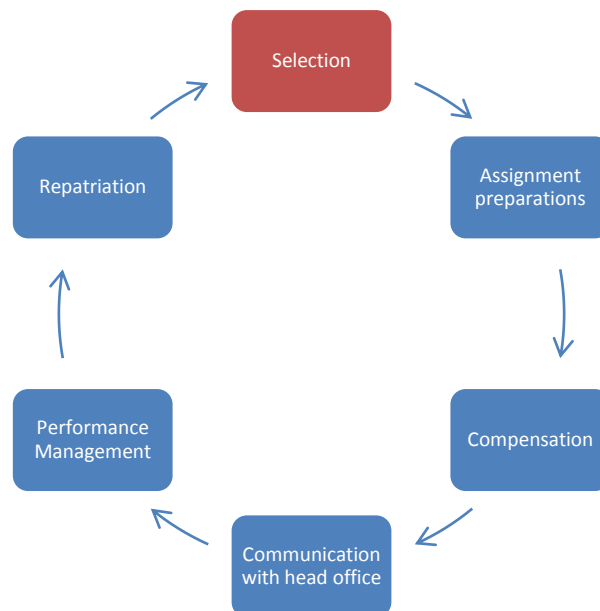
As noted in the last chapter, one may question to what extent the results of our research are valid within the organisations that were studied. Needless to say, applying our findings directly to other organisations is, therefore, problematic. Since the research only includes interviews with representatives from two MNCs, the study is exploratory in its nature, and the conclusions drawn can, therefore, not be directly transferred to any given MNC. The results could, however, serve as a basis for further research and large-sample testing. Another important limitation of the study is its empirical context. The use of data on Norwegian MNCs made good sense in terms of collecting data of high quality, but given that our research only included a small number of expatriates in two Norwegian MNCs, the results are hardly conclusive. Furthermore, the use of Norwegian data obviously limits the extent to which our findings can be generalised to other contexts.

5. Findings

This chapter will analyse how Jotun and Statoil manage the expatriation cycle with focus on the key HR activities: selection, assignment preparation, compensation, communication with head office, performance management, and repatriation. In the end of the chapter, the key findings will be summarised and compared to the academic ideals derived in chapter 2.

5.1 The Expatriation Cycle

5.1.1 Selection



As has been discussed in the literature review, the selection process consists of having well-defined purposes for the IA, and then connect these purposes with the design of the IA as a starting point. Additionally, the actual selection of expatriates should emphasise not only technical skills, but also cultural and interpersonal skills, the so-called soft skills.

In the research, it was also found relevant to also investigate topics such as: what increases or decreases the interest of employees in taking on IAs, how the actual selection process works in each company, and whether employees feel that the company encourages them to take on an IA. All these topics will be analysed in light of each company's practises.

Jotun

Jotun seems to use expatriates for the three most common purposes, namely: position filling, organisation and management development – the latter being an important issue for Jotun. Another finding is that Jotun tends to have an ethnocentric approach towards staffing its subsidiaries, which today is in a process of change toward a more geocentric approach.

The company uses the different purposes in order to design the assignments in a more efficient way. For instance, when it comes to organisation development, Jotun seems to adjust the selection process to the skills demanded:

[...] we have a few Norwegians working in other corporate functions, like Purchasing, like Engineering, when we are building new factories. And then it's very important much about the experience that they have. We have a Corporate function within technical and engineering, so if you have built a factory in one Jotun country, and then we are building another Jotun, another country maybe in the same region, or maybe even in another region. I mean this experience they have when it comes to the technology we have in the factory facilities. To build this in a new country, this experience is at least very valuable to send someone from Norway.

Expatriates talk about their main motivations for applying for an IA, and a lot of them are personal reasons. Among the most common, they indicate the interest in being in an international environment, and working abroad. Some of them have had a positive international experience previously in their lives and would like to repeat it. Others just seek to have a change in their lives and try something different – in other words, to have a new exciting experience, an adventure. Most of the expatriates showed interest in the multicultural aspect of an IA, and explain that they would like to learn more about people and cultures. Finally, they raise the point of being in a good position timing-wise to do it, particularly regarding their personal life, and that this was a family decision.

In Jotun, an IA is a part of the career growth prospects. Therefore, when it comes to the professional motivation for taking an IA, expatriates express that they would like to learn more about the company's operations abroad in order to be able to do a better job at the head office. They also point out interest in certain specific markets, or regions, and the challenges that the IA can give them – adapting to a new culture in a new environment. Finally, they indicate that a big motivational factor for taking on IAs is the career development aspect.

An opportunity to be slightly more multicultural than what you ever will become by living in the same area in Norway.

We have, however, found that expatriates discuss three main reasons for not taking an IA. First, all that is left behind: the extended family, friends, the summer house, their hobbies, and so on. Second, Norway is a country with a high quality of living, so the drop in the living standards can pose a challenge. Third, the problem related to dual-career families: expatriates discuss the difficulty in taking unpaid leave for too long, and the loss of the partner's income. Other issues were also mentioned, but with less frequency: cultural clashes and being a woman in certain countries, for instance.

But what's holding you back are the fact that Norway is a country with a lot of space, fresh air, basically no traffic.

IA opportunities are normally posted on the intranet by corporate HR in Jotun. After that, the common procedure is that interested employees apply online. Next, corporate HR will conduct a screening and selection of the more interesting candidates. Finally, those candidates chosen will be invited for interviews, and the chosen one will be informed with the proposal for the assignment.

The process was interesting. This position came up on February 2008, it was announced. I applied for the position and I didn't hear anything, so I figured out I was not one of the candidates. But after Easter sometime, they called and asked me: are you interested in that position? It took a long time before they actually came back. Normal process after that, except it was a video-conference interview at that stage. It took a long time, but luckily I got this one.

Many of the expatriates claimed that Jotun is not the kind of company that would pick a person to send on an IA. But on the other hand, other expatriates have confided that it is possible and they have been approached by managers or people in the company, suggesting for them to apply for a certain position abroad. Again, this can be a bit random. Some managers might be motivated and supportive of IAs, while others might want to keep their good employees for themselves.

(I was) Approached by the company for the two assignments.

Other details of the selection process revealed by expatriates were that it is important to apply for positions abroad in order to indicate interest in it. Even if the person does not succeed in the first application, he/she will be in a pool where he/she will get attention for future opportunities. Also, a lot of the openings occur like a line of dominos, and there is a certain level of manoeuvring from the corporate HR side.

I applied officially for another job actually. So, I applied for a job as a Marketing Manager, but they ended up having a different kind of set-up here, so they took one that was in the Dubai set-up already and replaced that one in the marketing job and then there was a vacant position in sales, so there was another person that got that one, and then they wanted to add another position in the Jotun Paints division as the link between the marketing and the lab. So actually it wasn't a job that was available or announced when I applied for a job, but they asked me if I was interested to fill such a position.

Regarding the skills searched in applicants for international assignments, we have found that a large weighting is given to interpersonal skills and acquaintance with Jotun's culture, since normally Jotun expatriates go out as managers, and technical skills are insufficient for these kinds of positions. Additionally, expatriates comment that the company tends to avoid hiring externals for these positions, precisely because they are not yet embedded in the penguin culture.

It's not enough to be a good chemist or a good finance person. Since you are going abroad to be a manager you need to have the right attitude as well. In addition you just must have these Jotun values and the penguin spirit. And that's again why I feel its important to have expats. [...] we very seldom take in any top managers from outside.

Jotun management sees expatriation as a necessary requirement in order to move up the career ladder. This fact is acknowledged by the expatriates we have talked to, who also believe that the company has an encouraging attitude towards IAs.

And I know that people have been approached and asked to go abroad, and they haven't been able to do that. So that's the different way of it. That means you've reached a certain level in Norway and the next step for you now if you want to go any further up you have to go abroad. And for some people that is not possible due to family reasons. And sadly that's stopping their further development, but I can understand it. You're definitely losing an edge in Jotun if you haven't been abroad and seen it from that side. Because if you believe that Sandefjord is the navel of the world, the big city, the head office... you haven't been abroad. You have to see it from the other side as well.

Some of the Jotun expatriates have, however, indicated that the company could do a better job in promoting expatriation:

No. I don't think you are encouraged. When I started in Jotun in 2000 I was told that those that would like to have some kind of international experience or assignments, it is possible for them to put their name on some kind of list, or something like that. But it wasn't in that way it functioned.

Statoil

Statoil also uses international assignments for the three traditional purposes: position filling, management development and organisation development. We found that organisation development and the control functions are of particularly high importance for the company. Statoil has today a very ethnocentric approach towards its subsidiaries, which can be explained by the fact that the internationalisation process started only a few years ago – it was mainly a Norwegian company before that. Statoil does, however, realise the need to move into a more geocentric approach in the near future.

Similar to Jotun, Statoil seems to adjust its selection process to the specific needs of different assignments. The HR interviewee commented, for instance, on the case of management development and the corporate priority group – the pool of talented performers of the company – who receive focused attention from the corporate HR.

Statoil expatriates have shown the same motivational factors as Jotun expatriates for taking an IA: interest in being in an international environment and work abroad, change in their lives, trying something different and adventurous, learning more about people and cultures, and so on. Professionally speaking, interest in specific markets or regions, and learning more about the company's operations abroad play an important role in this decision.

And also career development. But actually I went from a leadership position to something else. In that sense, it wasn't a career development, but in terms of experience it was 10 times as much.

Again, the main barriers that Statoil expatriates suggest could inhibit them from taking an IA have to do with what they need to leave behind, with the high living standards in Norway, and with the spouse's career. They also mention cultural clashes and being a woman in certain countries, for instance.

I think the challenge for a Norwegian family is the fact that usually both – the husband and the wife – are career people. That can be a challenge in the sense that if one goes that can be ok for a couple of years, but if it lasts for much longer than that, then it can be a problem for the other one.

There are three main routes by which an employee can get an IA in Statoil. First, there is the route in which the international job is posted on the intranet. Employees interested in it should apply and after screening and selection of interesting candidates, those will be invited for interviews. After interview results, a proposal will be made for the selected employee:

I applied. My position was posted at the Statoil intranet. So I applied for it, there was an interview and it was kind of a full cycle job application with interviews.

Expatriates also revealed that networking within the company is a good way of getting an IA. People can be asked to apply or to go to a certain job abroad.

You may apply and in our case it was that. You can apply wherever. But in other cases they ask the people, if they need the expertise. I guess it's a mix.

Another way identified in the conversations with expatriates was the HR cycle in the company, called "People at Statoil." This is a conversation that employees have with their managers twice a year in order to discuss future career development. According to the expatriates, it is an important moment to indicate interest in working abroad for the company.

But there are a lot of international posts on the net and you can apply. And also through this talk with your manager a couple of times in the year.

Besides these three normal routes for expatriation in Statoil, it is worth noting that many of the expatriates we interviewed had gotten their position as a consequence of the merger process between Statoil and Norsk Hydro (oil and gas division). It was a period when every single employee had to apply for new jobs, which triggered the idea of going abroad. Needless to say, this was a specific one-time case.

The definition of the necessary skills for expatriates in Statoil is not a centralised activity within corporate HR. The responsibility of selection lies within the HRs in the different business areas and, therefore, there is no specific alignment in terms of requirements. Each business area will define the skills they find necessary:

I can't comment on that, because we don't have that information. We don't receive information on skills and so on, just basic about the person, to implement the assignment. The only thing maybe we can see is that some assignees have been in multiple assignments, which tells us that this is a very experienced and skilled person – with a mobile international career. But for the rest, it's hard to tell.

According to expatriates, Statoil as a company does encourage employees to be flexible and go on an IA – in other words, have an experience abroad. Both top management and HR discuss the importance of having people with international experience for the internationalisation process. Some of the expatriates, however, believe that it is not emphasised as a necessary move for career development.

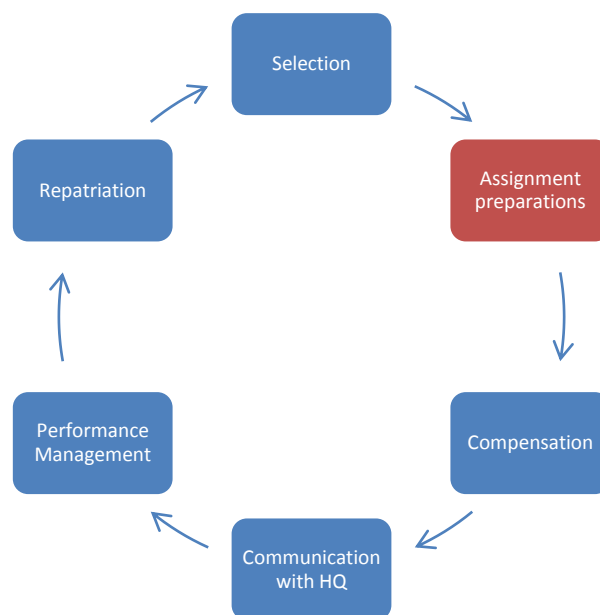
They do encourage international mobility and it's part of your early evaluation. It's not of course said that it's easy to just take on an expatriate position – I think there's quite a narrow needle to get through, because they're very expensive to the company.

You don't really need international experience, although it would be good when you're working on management level.

Observed differences

Jotun and Statoil seem to be fairly similar when it comes to the selection process. The main difference we have observed was related to the level of centralisation of the selection process, which can be considered a reflex of the size of their operations. Jotun manages a fairly low number of expatriates, and the selection process is to a large extent centralised. In Statoil, selection is often made in the individual business areas.

5.1.2 Assignment Preparations



Our theoretical discussions divided the assignment preparations into different parts: (1) the pre-departure preparations – which includes training, visit to host location, moving out of home-country and so on; (2) after arrival arrangement – regarding all the support given by the company in the settling down period; (3) support for the children, and; (4) support for the spouse. As discussed then, a big issue that companies face nowadays, which tends to increase, is the problem of dual-career couples. The fact that both partners in a couple are normally working people in Norway these days can prevent employees from searching or accepting international assignments. For these

reasons, we found it appropriate to investigate which kinds of support Jotun and Statoil offer for the spouse throughout this process. This section will analyse each of these parts of the assignment preparations for the two companies separately.

Jotun

Jotun expatriates reported that the natural pre-departure procedures are to take a trip to the host location together with the family and to attend a 2-day cultural training before starting the IA.

We had a weekend, I remember, before going out, so we had an introduction course arranged by Jotun at a hotel in Oslo. The whole family was in the hotel for the whole weekend to prepare and so on, and listen to experience from other people and what they saw when they moved out, and what we could expect and so on, so that was quite good, and that was followed up internally by Jotun as well, from HR and the legal point of view and those things. Quite well.

We have observed that although it is more frequent than they tend to believe individually, that the rush in which decisions are taken, and in which the moving has to take place, is a factor preventing employees from fulfil these procedures:

We should have [visited China before], but we didn't have time.

Additionally, we have found that expatriates that have been abroad before tend to believe that pre-departure procedures, or at least some of them, are unnecessary:

We had one trip as a family before we came down. Just to have a look at the place. But the training.. yes, we were offered this, whatever they call the training. [...] I didn't get it the first time to Singapore. I was asked if I wanted it the second time. Then I told them I could probably be a trainer on that seminar. I'd lived there for 4 and half years, so I should know. And now it was not that needed... Yes, the culture is different, but having been an expat for 8 and half years... it's not that different from Singapore. There are some cultural aspects with religion and how you behave, but some common sense gets you a long way.

The interviews performed with Jotun expatriates showed that they are quite satisfied with the support from local HR when it comes to settlement in the new location.

We had a lot of help finding the house, we had a lot of help finding the schools, everything was... that was a key factor, without that, we would've had a tough time.

Some expatriates, on the other hand, reported having lack of support from local or corporate HR when settling in the new country:

Support from HR: Zero. Nothing. But I think that is different from place-to-place.

Regarding arrangements for the children, most Jotun parents seemed very satisfied with the fact that their children were attending international schools and commented on how their personalities influenced the adaptation process:

It was quite... it is quite exciting because I had three daughters. They were 3, 7 and 10 when we went there. And the oldest one, she could obviously speak some English, not a lot but some English. So when she came to school, she could manage in the class, not a big problem, adjusted very easily. The youngest one she was in the kindergarten, and she just came to the kindergarten and she just opened the door and went straight into the room and started playing. That was her adjustment. But the middle one, she was 7-8, she couldn't speak English, came into class and there it was English education... core language, and that took time. There was a lot of crying and frustration and so on for approximately three to four months, and then she was also quite ok. This has not only to do with age, it has also to do with personality. Because the youngest one and the oldest one, they are more outgoing than the middle one.

Nevertheless, some expatriates expressed worries in staying abroad for too long, because of the education of their kids. They believe that it is important for them to have roots and, as a consequence, many of them choose to come home when the kids reach a certain age.

Expatriates' spouses in Jotun experienced different situations. Some spouses managed to arrange an unpaid leave with their companies, but the large majority of spouses had to quit their jobs in the home-country. Once in the host location, most of them seek something to do: courses, voluntary works, and projects with former employers, among other activities. Besides, some of the expatriates interviewed believed that being an expatriate spouse was comparable to a full-time job, given that they needed to be constantly available in case something happens.

Jotun expatriates commented on the fact that the company does not offer services, such as head-hunters, in order to assist the spouse in finding a new job in the host location. But they seem satisfied with the extra benefit provided for the spouse in order to seek some sort of education.

No, they have not done that (help wife find a job). What Jotun provides is that they provide a sum of money for the spouse to go study something for a year. And that is not something you can take an MBA on, but it certainly helps you to take courses and some training.

This point is clarified by Jotun HR. The company states that they encourage spouses to not take jobs abroad, given the problem of losing their right to Folketrygden.

[...] what we do today is that we give some support to pension for the spouses. And we cover a certain amount a year for education allowance.

Actually we encourage these spouses not to do this, because if you, ok if a guy moves out, and we cover the membership in the Norwegian Folketrygden while he goes abroad, then automatically the wife and the kids will also keep their membership with Folketrygden while they are abroad, through his sponsorship. If the wife gets a job locally, she will not be sponsored by the husband, meaning she will fall totally out of the Norwegian system. So, in order to be able to be a member of the Norwegian folketrygden you have to be employed by a Norwegian company just, you know, just having some office abroad. So, if the wife gets a job locally with her own income she will fall out of this Folketrygden which means she will not be entitled to for example... What the English word for this? Disability pension for instance.

Statoil

The same pre-departure procedures – taking a trip to the host location together with the family and attending a 2-day cultural training prior to the IA – were observed in Statoil. Similarly, the rush factor, and the fact that some of the expatriates have already been on international assignments before, prevent them to fulfil these procedures.

I think that was very well spent money in a way. Bring the whole family in for a week or whatever, to just visualise this new place and get things sorted out. So we sorted out a lot of stuff during that time.

In both cases I said yes prior to actually going there. Belgium - I said yes and we went there to find the house prior to moving in. Singapore I had never been there before.

Regarding after-arrival arrangements, Statoil expatriates tend to be very satisfied with the support from local and corporate HR.

That was fantastic. All practical issues were sorted out by the company, so we didn't have to think about that. Our major concern was schooling for the kids. And even that they'd help out and after a few weeks they were set with everything. That's something this company is very good at.

Some Statoil expatriates indicated differences in this process that can be posed by different countries. In addition, they point out that depending on the size of the local office, the support provided by the company might also differ:

I know that the practise of doing these things is different from country-to-country, depending how big the office is. If the office is very big, you have administration taking care of absolutely everything; you just get in there and everything is sorted out. And these small offices, you have to do most things yourself.

Many of the expatriates were accompanied by their kids who were still very young. Some of them had teenage kids from whom reactions regarding the moving process were varied. Others had

grown up kids who did not accompany them on IAs. In these cases, Statoil expatriates commented on the arrangements provided by the company:

There're quite good arrangements for the kids to come and visit us.

Like Jotun parents, Statoil parents stated that the education of the children, and the fact that they reach a certain age, can be motives for going back to the home country.

Again, similar situations to the Jotun case were found among Statoil expatriates' spouses – some of them taking an unpaid leave from their jobs and most of them quitting altogether. Once in the host location, they would be involved with several activities: personal education, voluntary work, projects with former employers, and so on.

According to Statoil's International Assignment Policy, Statoil provides job hunting and compensation for the spouse as a way to counteract the dual career couples problem. According to the company's HR, spouses seem to be satisfied with it, and they claim that not such a large number of them end up taking a job during the period of their spouse's assignment.

I don't think we've ever had feedback from anyone that this wasn't sufficient. On the other hand, you wouldn't get feedback that this is too generous. Our spouse support, compared to benchmark information, is generous. Because the satisfaction of the spouse tends to be very high, it shows that they're happy with our level of support.

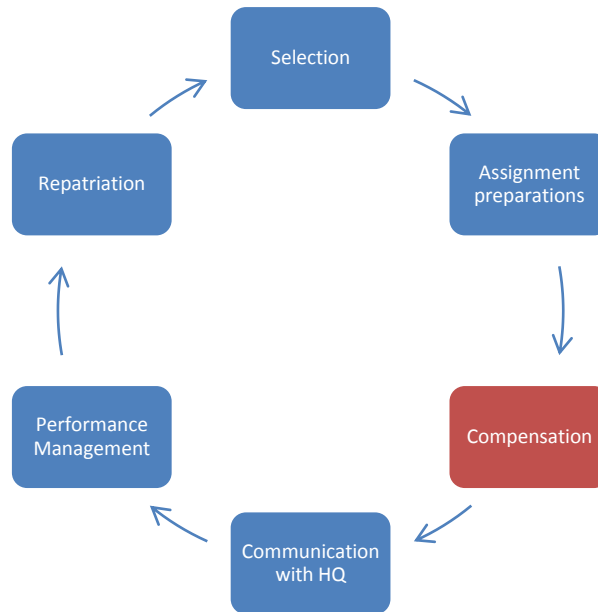
Statoil expatriates also commented on the fact that the company goes one step further in trying to facilitate spouse issues connected to expatriation:

Luckily she's also working for SH, so of course the process of getting time off for this was quite easy. So I think that's important when going abroad.

Company Differences

The assignment preparations performed by both Jotun and Statoil follow very similar procedures. In most points, they are compliant or fairly compliant to the ideals identified in theory. We did, however, identify differences when it comes to the spousal support provided by the two companies – Statoil today offers more than Jotun, which seems to generate higher levels of satisfaction among spouses.

5.1.3 Compensation



In this section, the expatriate compensation package will be discussed. This section will also be concerned with analysing the levels of satisfaction or dissatisfaction that expatriates demonstrated with the compensation packages, and the reasons behind it. A common concern raised was regarding the compensation package versus the dual career couples problem, and the fact that it still doesn't fully compensate for the loss of the partner income. Another concern referred to the difficulty of the partner in getting a new job upon return, and the fact that the expatriate package does not reflect this issue.

The calculation of the expatriate salary is to a large extent formalised in the International Assignment Policy. Companies aim to use it as a tool for providing a transparent, fair and competitive system. The compensation packages, both for Jotun and Statoil, can be divided into four components: base salary, tax allowance, allowances for mobility and location, and extra benefits. As the three latter components only differ to a small extent, the discussion about these components will be combined for Jotun and Statoil. Next, the different techniques Jotun and Statoil apply to determine the base salary, and the overall satisfaction with the compensation package, will be addressed.

Tax Equalisation

The tax equalisation method is commonly applied as a means to ensure that the employee keeps the same financial situation as if he had remained at home (Statoil, 2009e). It means that standard

tax applicable in the home country – an average consideration of hypothetical tax and social security payable in the home country, plus other obligatory payments previewed in legislation – is deducted from the gross base salary. The companies then use this amount and pay all actual income taxes associated with the IA.

Allowances for Mobility and Location

The Mobility Allowance is given as an incentive and recognition for the extra commitment required taking on an IA. For Jotun, this allowance is fixed at 10 percent of the notional home salary, while for Statoil it is a percentage of the base salary. The size of the allowance percentage used in Statoil was not disclosed.

The Location Allowance is a compensation for the hardened living conditions of the expatriates and their families. It includes measures such as availability of health facilities, pollution, security, environment, infrastructure, climate, access to leisure activities, etc. At Jotun, this allowance varies from 10-50 percent depending on ECA ranking of differences between home and host location. Statoil calculates it as a percentage of the base salary, according to rankings provided by an external source, but the company does not adjust for negative variations (improved quality of living).

Other Benefits

Expatriates are also entitled to a number of other benefits, usually previewed in the International Assignment Policy. Companies offer these extra benefits at varying degrees, but some of them are considerably common to most companies. These include health care, pension, social security, insurances, scouting trips, relocation and installation grants, and housing at host location, transportation (usually cars), schooling for the children, language and cultural training, and home leave trips, spouse/partner support, among others.

Jotun

Determination of expatriate salary

In Jotun, all positions are graded according to the Hay Grading System – also known as the Hay Guide Chart or the Hay Job Evaluation Scheme – a point system that enables the company to compare and grade various positions in an objective manner. It was established about 60 years ago by The Hay Group, and today it is used by numerous organisations all over the world (BBK, 2009).

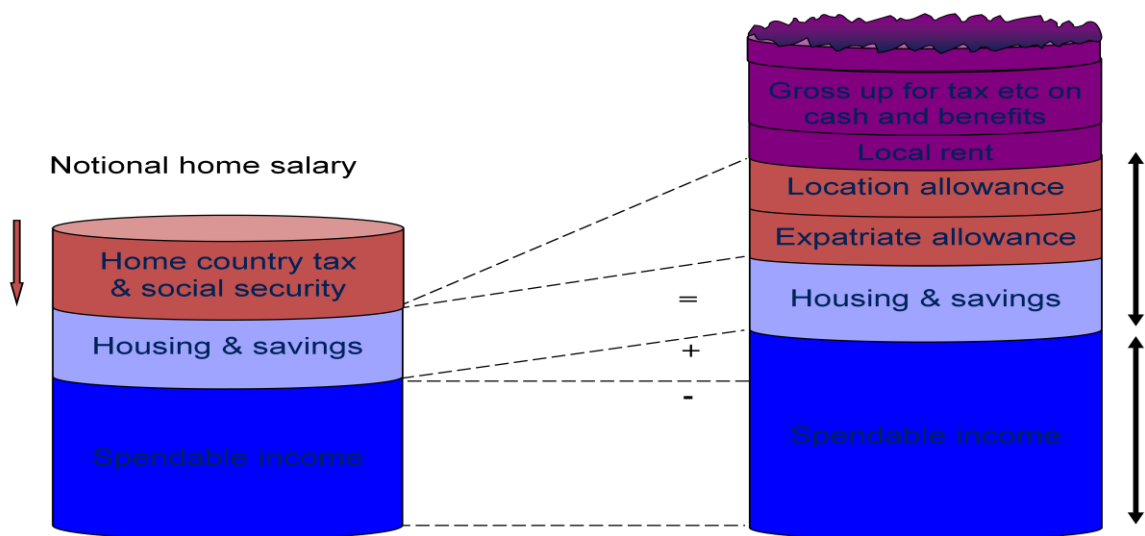
The Hay job evaluation depends upon certain universal factors that apply to all jobs in one way or another: accountability of the job holder, problem-solving involved in doing the job well and know-

how, and managerial and interpersonal skills required for the job (Hay Group, 2008). These elements are then broken down into more detailed sub-elements, such as depth and range of know-how, thinking challenge, and freedom to act, among many others. Once the measurement is finished and added up, the different jobs in a company can be ordered hierarchically within the organisation (BBK, 2009).

Some of the benefits provided by the Hay Grading System include an efficient HR management by providing the best job-employee match, and an efficient and equalitarian base for rewards and career development, among others (Hay Group, 2008).

When determining the salary, Jotun, in most cases, uses an approach referred to as the build-up approach (Figure 5). Its purpose is to ensure that employees are no worse or better off by accepting an assignment (Jotun, 2009f), and it divides the process to build-up the salary in seven separate steps.

Figure 5: Build-up Approach in Jotun



Source: Adapted from (Aspaas, 2008)

Based on the Hay grade of the IA position, Jotun determines the median gross base salary in the home company (referred to as Notional Home Salary). The Notional Home Salary is subject to tax equalisation. The employee's Notional Home *net* Salary is then divided into a local spendable part and a home/savings part. The local spendable part is adjusted based on the ECA Cost of Living Index (ECA International, 2009) to take account for differences in cost of living from the home and the host country.

This method used implies that if an employee return to a position on a lower Hay grade than the IA, the employee will often have to accept a reduction in salary. This is in contrast with the system that Statoil applies, as we will see in the next section.

Jotun expatriates seem to be fairly satisfied with the compensation packages provided by the company. They are aware of the fact that these are not the highest in the market. Nonetheless, they attribute this to Jotun being a family-owned company, and they “overlook” it given their satisfaction with the way in which they are treated by the company.

You don't starve, but they don't make you rich.

Compared to Statoil and some other companies we have more, what to say... not so exclusive or not so high standard package, but it's good enough. And we, you know, we have so many of the advantages, free schooling, and free car, and free home trip every year, so in general you have a good package.

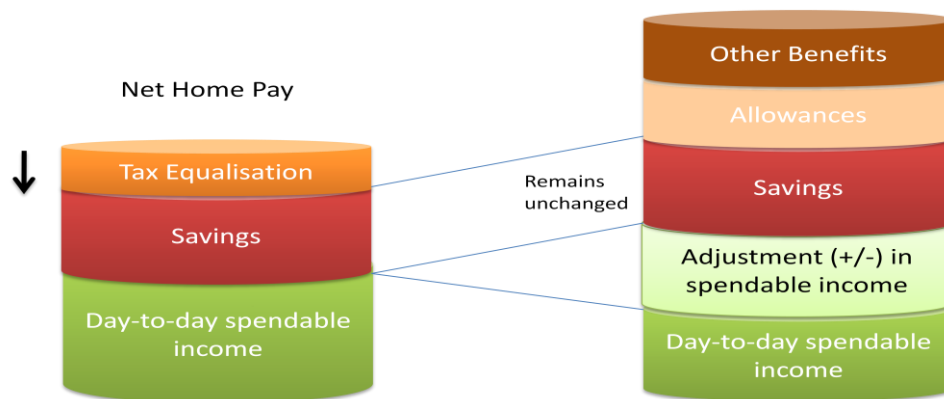
Jotun expatriates also connect the not so competitive levels of expatriate compensation in Jotun to the fact that the company culture plays a major role for employees who go on IAs:

I don't think we pay well enough, but I think Jotun gets away with it because of the penguin spirit.

Statoil

Statoil determines the expatriate salary based on a system referred to as the home-based approach (Figure 6). It means that the salary of the expatriate remains linked to the home salary level in order to facilitate reintegration to the home pay system at repatriation. The gross home base salary is subject to tax equalisation, which generates the *Net Home Pay* (Statoil, 2009e). The latter is then divided between a day-to-day spendable income part, and a savings income part. And finally, the day-to-day spendable income part is adjusted to the cost-of-living of the host location. The indices are based on data from an external provider, and can be either positive or negative.

When the Statoil employee returns to the home organisation he will get the same salary as he had before going on the IA, unless the person is promoted to a higher-level position.

Figure 6: Home-Based Approach in Statoil

Source: Adapted from (Kuznetsova, 2009)

Statoil expatriates seem to be very satisfied with the deal they get. They comment on the extra benefits besides salary, and the fact that it is normally a good offer.

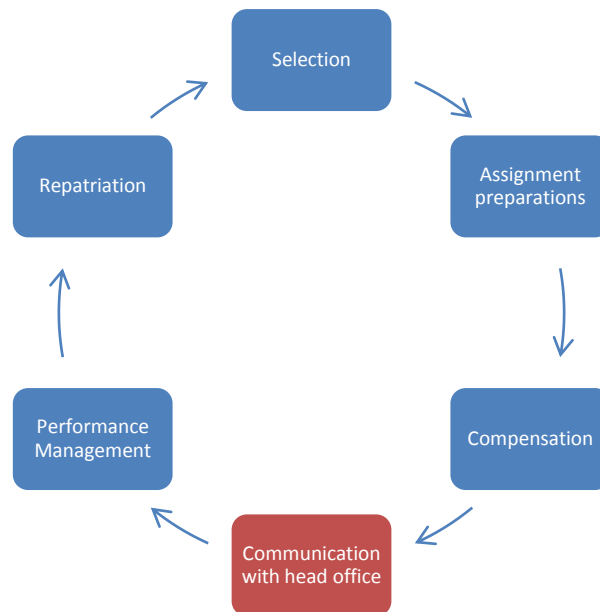
The packages they offer are very good. I think they really try to look after whoever they send abroad.

It's basically fairly straightforward. When you come on an overseas assignment, salary wise, you practically get your gross salary paid net when you come here. There's a sort of a financial benefit. And then when you're here you get things like housing, a car is also sort of paid for you, and then there's a travel allowance for when you go back, so that's really about it, and schooling for the kids.

Company Differences

Besides the fact that the calculation of the compensation packages in Jotun and Statoil departs from a different base salary, no major differences were found regarding allowances and benefits offered by the two companies.

5.1.4 Communication with Head Office



Jotun

A frequently reported challenge, regardless of the nature of the IA, was the fact that the head office sometimes was lacking an understanding of the ways in which business is carried out at the host company location, and lingering decision-making at the head office was sometimes seen as a source of frustration.

You can feel sometimes that this is a Norwegian way of thinking. This is not how we manage here [...] And that is then back to how important it is that key people in Norway really have had experience of working abroad. Because you come up to situations where you will handle it in a different way than what you would do in Norway. And that is the only natural way of doing it.

The responsibility for an expatriate in Jotun is a joint responsibility between Corporate HR and the local HR departments in the host companies. In Jotun, Group HR follow up the expatriates as a part of the company's HR policy:

It's a part of our HR policy that after three months we would call or send an e-mail to the expat asking if there is anything we can assist on. [...] and every summer we would send out an e-mail to all international assignees encouraging them to contact their home company department, and have a chat with the home company manager.

Statoil

The same frustration with HQ's lack of understanding of local needs was also observed within Statoil.

From a business perspective, certainly the time you need to spend is underestimated back home, because you experience so much back there that the people back home don't see this.

Expatriates can feel distanced from the HQ, and they are usually immersed in different business cultures going through a myriad of different situations. These situations are sometimes not well understood by superiors and peers in the HQ, who might never have been in an IA before. In addition, when expatriates are tied up with daily routines in the subsidiary, they might see HQ as noise in certain situations. This can generate misunderstandings, or even a lack of proper efficient communication, which often create frustration to both sides.

According to expatriates interviewed, it is an important task for them to improve these channels and make sure that the work environment will be understood by HQ. The physical distance can be a challenge in successfully getting attention from management, but interviewees claim that the corporate HQ has put efforts in that direction.

And, of course, you can't expect HQ to know and understand everything, but you have to deal with it of course. And there are times when you are frustrated, there are times when you have to spend time and discuss things that you maybe feel it should be unnecessary, but by and large, I feel very satisfied with the support and the way that the line works, it is very satisfactory.

In Statoil, the responsibility for following up an expatriate is divided between Divisional HR and the local HR departments in the host companies. In other words, these follow-ups are a responsibility of the separate business areas, and the way in which this process is carried out is not monitored by Corporate, as indicated:

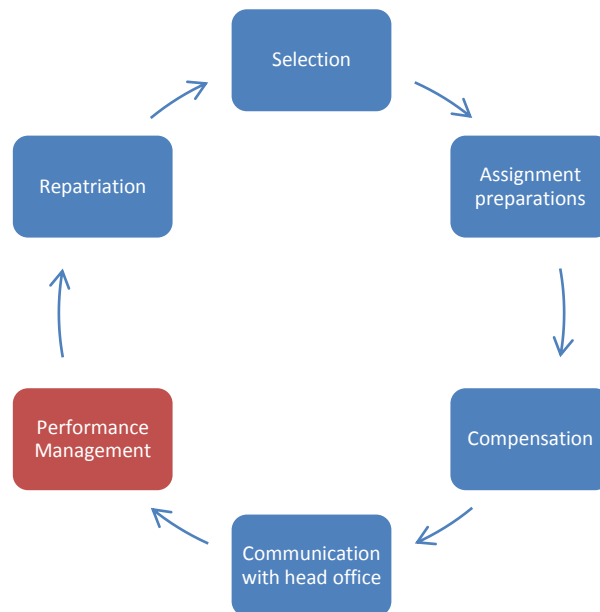
The idea is that HR/line manager maintain contact with the assignee, and in the regular talks they'd see where things are going, and what the wishes are for the future, and what the opportunities are back home. But we don't track that in our process. This is in the hands of the business area and the individual.

Company Differences

When it comes to communication with head office, a few differences were found between the two companies studied. On one hand, Jotun seems to do better in the expatriate follow-up by HR, since this is a centralized process in the company. There is, however, evidence that suggest that the

company can do even better in this area. On the other hand, Statoil seems to be better at keeping a closer contact between expatriates and the line, which can be natural, given that many of the expatriates have reporting lines in the head office.

5.1.5 Performance Management



Jotun

Jotun does not have a specific performance management system designed for expatriates. The performance of the expatriates is assessed in the same manner as with other employees. The manager doing the performance appraisal would depend on the nature of the IA and the formal reporting lines. For example, a person holding a regional position within Purchasing might have performance appraisals both with his superior at the head office and in the host country company.

As a part of our research, all of the expatriates interviewed were asked to talk about their greatest contribution/achievement during the IA. Most of the expatriates would emphasise their ability to build networks with partners in the regions or within the office where they are working.

Get people to work together – be one unit. When I came the marine team was individuals, and not really talking to each other. So that is probably the biggest achievement. In addition to increasing gross margin by 8 percentage-points.

Several expatriates also reported that even though their performance was not traced from Corporate they have a clear set of expectations to live up to set by the local organisations:

The home office doesn't know what kind of expectations exactly they're putting up for you. They probably expect that you can grow into the position. Expectations are actually set from local here. That means you receive a set of KPIs from the organisation, and you have to fulfill and see that you're achieving the goals put up for you.

Even though there is no specific system that assesses the performance of expatriates, there seems to be a belief that the expatriates belong to the top-performers in the company. Employees being selected for international assignments know that there are significant costs involved, and it's believed that they look at the IA as an opportunity to show that they are worth the assignment.

I think it's a bit like you can compare with the Norwegian national football team. Ok, you have to be very good to be on the football team. And it's not like it's a vacation [...] you're just there to just practise and play the game and perform well and then go back again. But still many people feel a bit proud, [...] because you know that you have to be quite good, you know, to be there. So it could be something similar also with the international assignees that they know that their contract or their agreement, it's quite expensive, and they know that they must have done a good job in order to get this opportunity. And most of them want to prove this when they get out there.

Statoil

Statoil also does not have a specific performance management system designed for expatriates, meaning that expatriates have their performance assessed in the same manner as other employees. The manager doing the performance appraisal would depend on the nature of the IA, and the formal reporting lines. But in the case of Statoil, it would usually be the direct manager in the subsidiary or in the head office.

When asked about their greatest contribution/achievement during the IA, Statoil expatriates also emphasised their ability to build networks with partners in the regions or within the office where they are working.

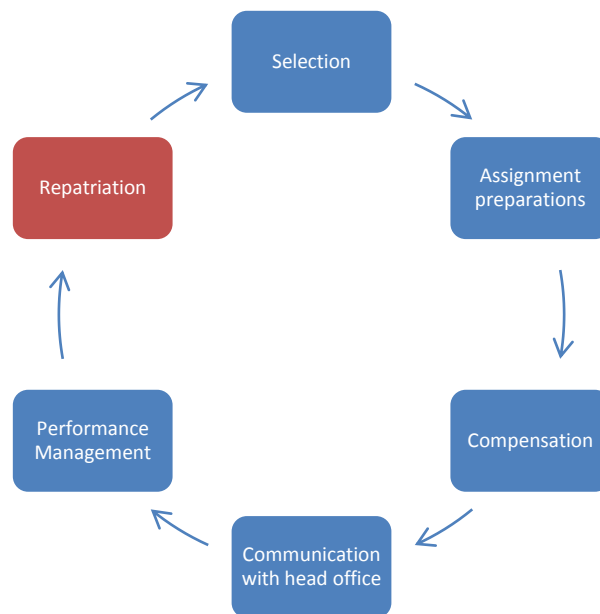
The other thing really has been establishing the network with the local companies and being aware of what they are doing, both in Abu Dhabi and also in Iraq.

Similar to the Jotun case, even without a specific appraisal system for expatriates, those individuals are indeed seen as part of the top-performer group of the company.

Company Differences

The performance management systems of both Jotun and Statoil are not tailored to IAs, and a lot can be done in order to improve that. As a consequence, not much of a difference was found between these two companies at this stage of the expatriation cycle.

5.1.6 Repatriation



Repatriation has been characterised as one of the greatest challenges MNCs are facing today with regards to expatriation. Our research investigated different aspects connected to repatriation, namely: management of expectations, the process itself, the amount of acquired knowledge utilised within the company posts assignments and satisfaction levels with the new job and position.

Each one of these topics is an important part in developing an articulated and effective repatriation process. Managing expectations properly will later impact the satisfaction level that repatriates have with the overall new situation. In addition, conducting a transparent and well-planned process will help improve the outcome, which will also impact satisfaction. A high level of satisfaction will, consequently, increase retention rates, benefiting the company. Also in benefit of the company, increasing the amount of knowledge transfer after repatriation will make sure that acquired knowledge will be utilised and incorporated into the company's capabilities. These new capabilities, insights and international markets understanding acquired by the expatriate should be incorporated in the company in order to complete the expatriation process, and provide the company with the

benefits of the investment. We will, therefore, analyse the different aspects of repatriation for each company under our study – Jotun and Statoil – in the following subsections.

Jotun

We have conversed with expatriates from Jotun regarding their expectations for repatriation. The expatriates indicated that they were not guaranteed, by contract, a position when they return to the home organisation. Nevertheless, they seemed to be satisfied with the situation and did not show any major concerns. They demonstrated a belief in the company, and in the fact that a good performance could lead to an interesting position in the future, whether in the home organisation or in another subsidiary.

To me it's very simple. You work and you perform. And if you perform they will want to keep you. And if you don't perform, they will get rid of you anyways and you'll go look for a new job.

I'm not confident in that. You're not promised that you'll get the same job opportunity and, of course, the job I left is gone a long time ago. But I'm not worried about that at all. Personally, I'm quite adaptable, and as long as I can get a position where I have challenges and I can learn new things, pretty much, almost everywhere.

They also commented on the fact that it is a possible outcome that their knowledge learned during the assignment is not utilised upon repatriation, which can cause frustration and contradict previous expectations.

According to Jotun HR, the process of repatriation is coordinated centrally through corporate. However, it is a shared responsibility between the expatriate and the company, a common practise in the organisation that is also part of the policy. The HR interviewee stated that the process is fairly ad-hoc, and what generally happens is that after the 3 minimum years of assignment, they start analysing the case-by-case situation.

It is actually quite ad hoc. All the assignments are from 3 to 5 years, so after, sometimes 3 years, sometimes at 5 years or people can extend with one year. It depends a bit. But at some point we have a look at the list of all international assignees and see now who is approaching the final years. What could be possible career opportunities for these people? So that is basically on the level of the HR Vice President and CEO. They sit down together and discuss, ok, he's been there now for 5 years, where can we utilise his experience in a good way. And try to find openings. [...]

Jotun also believes that this is a simpler way of matching company needs, and expatriate and family desires.

[...] So, it's not a very structured way of doing it, but it's very difficult to plan this very well as well. Because it depends on the home company, maybe he and his family want to go to another place directly, or, I mean, it's very difficult to plan long time ahead of the actual repatriation.

Some of the expatriates in Jotun do take part of the responsibility of repatriation, and perform an active role in networking and searching for future opportunities:

I have a dialogue with the one who is responsible for the Group Technical Department at home, where I come from. He has also the job I used to have as HEC Group Manager in addition to the job he has now. They have not hired anyone in the job I had then, so I have discussed with him which opportunities exist.

But regardless of the company's policy of sharing responsibility, the paternalistic behaviour showed by the company throughout the years has led to some of the expatriates relying fully on Jotun to perform this task:

And in both cases I just had a very clear opinion that when I would like to go home, or when I had to go home, I would not wait for a position to pop up or whatever. So that was also in the Middle East and China, I basically said maybe one and a half years before I wanted to go home, that I'm coming back at that time. And if Jotun has a job, I come home... I come home anyhow, of course I wanted to work in Jotun and so on, but it has never been an issue, actually. for me.

You can apply for available positions in the same line as everybody else, and thats it. But you are supposed to plan it half a year before going home, so giving both you and the organisation back home time to help you, of course, to find something. And what they say is, if you've done a good job abroad, of course there will be a position for you, but they will not make up any position. They don't have any position reserved for you. And I also understand that you cannot have special positions just for expats, and traditionally they have managed, but I think people have experienced difficulties coming back home, yah. Probably both something to do with Jotun, that they are not good enough in planning it early and active enough to find a solution. But I also think for the people going home, that they might have too high expectations.

Regarding the readjustment process once returning to the home country, most of the expatriates in Jotun reported not finding any difficulties and experiencing a smooth process. A point of attention was raised, however, regarding spousal return to the labour market. According to expatriates, depending on the profession of the spouse, it can be an issue to find a new job after a few years away. This would have an impact both on the spouse career and on the financial situation of the

family. Lastly, they call attention to the fact that after many years in a subsidiary, it can be a challenge to adapt back to the home country:

If you stay in a place for too long, you start to become too local.

Today, Jotun does not have much control, or a system in place, for extracting benefits from the knowledge acquired by expatriates. The HR representative expresses the company's willingness in increasing these opportunities.

Well, actually it's almost a bit embarrassing. [...] we kind of justify international assignments by saying that these people will take so much knowledge back and... But I think from a HR perspective, it's not like we have a structured interview or anything with the guys. But of course they are bringing a lot of experience with them back to the line, and to their home department, or to another Jotun company.

Interviews with expatriates confirmed the suspicion that a lot of the acquired knowledge is not currently used within the company upon repatriation, to the disappointment of most of the expatriates.

No, I think we also could do more on that. In general, people feel that they are coming home and their competence and experience abroad is not utilised enough. I think people very often feel disappointed when they are coming home. [...]

Repatriates claim to try to share their acquired knowledge in terms of culture, organisation and market understanding with colleagues, and when doing their job. They express their willingness in sharing it with other employees in the company and with future expatriates.

It is a very interesting question, because we have taken up many times. It should... why don't they use those of us who have been out to talk with those who are going out? I know many who have travelled to Dubai and Abu Dhabi after I've been there, but have never been asked to speak with some of them. And also I think would be a good idea... just use a half hour to say something about the impression I had there. Could be that they would understand things completely different from me, but it is the way to... it could be that they have a lot of questions about things.

As part of our research, we questioned repatriates regarding their satisfaction with the new positions in the company. We found that there is a fairly even division between satisfied and dissatisfied repatriates in Jotun.

No, I think we also could do more on that. In general, people feel that they are coming home and their competence and experience abroad is not utilised enough. I think people very often feel disappointed when they are coming home. They are put into a new position and kind of “don’t talk about abroad because now you are back in Norway”.

The main reasons for dissatisfaction would then be related to the lack of a link between the new position and the knowledge acquired, as mentioned previously, and the lack of challenge posed by the new position.

But it is a challenge because when you don’t get the job you want or a promotion, you tend to feel a little bit sorry for yourself. But there I think Jotun they don’t deserve that. They are doing their best to find a position for you. Even if it sometimes is hard for them.

Statoil

Statoil expatriates also told us that they were not guaranteed, by contract, a position to return to the home organisation in the end of the IA. Still, they did not seem worried with the situation and they indicated that a good performance during the IA would most surely take them to an interesting new position.

I was a bit relaxed, because I worked quite some years in this company and I know that things change from time-to-time. Sometimes you have a very nice job, very nice colleagues and everything is top. Some other times it’s not the perfect job, but I know that in a couple of years you will get the right position, what is right for you.

Statoil expatriates were aware that the job situation might be more complex the higher the level of seniority of the expatriate to be repatriated. And they also mentioned the possibility of not having their knowledge utilised upon repatriation:

I don’t think that’s a problem to find a job. But I heard a lot of people when they come home that they’re disappointed because they can’t use the knowledge they gained. They’re put on completely different tasks, nothing to do with their assignments.

The repatriation process in Statoil seems to be less centralised than in Jotun. Technical issues regarding contract, tax issues, relocation, and so on are coordinated centrally, while career moves and the rest of the repatriation process is managed inside the business, as stated by HR and one of the expatriates:

Regarding repatriation, more technically. Just discontinue things that we had set up for the assignment. Things like pay, insurance, relocation – practical things – not so much career related.

They'll arrange for the administrative stuff (HR), like moving back home and taking your stuff with you back home, and arranging the moving and the containers, come taking your things... all of those things they fix and it's very comfortable.

A lot of the repatriation process within Statoil seems to happen within the line, by management-employee conversations, or by the people in the Statoil HR system. Expatriates also demonstrate a proactive attitude towards their careers, and report actively seeking new opportunities between two to six months prior to the repatriation period.

Of course I started looking for new things that I wanted to do in the future and also talked a lot with my boss. [...] So I had to make up my mind, what I wanted to do – a manager thing or more project related. I started very broad to have everything open and I kept these options, because there are always positions in SH.

Maybe half year, 2-3-4 months I started to think about it and take contact with the organisation I wanted to work with here in Norway. The merger was in the middle of my stay. So during that time I took a thinking process of where I wanted to be after the merger. [...] We were encouraged to make some arrangements also and have contacts.

The readjustment process was regarded as fairly smooth by Statoil repatriates. Some of them mentioned the problem of the spouse going back to the labour market and indicated that this can be a slower process than expected, bringing consequences to the family life.

And we came back because of the downturn and my wife didn't have a job. So that's tough. Finding work is not so easy.

Our research shows that today, Statoil does not have much control or a system in order to benefit from the knowledge acquired by expatriates. The HR department expresses the hopes for that to happen, given that they recognise the importance of this knowledge transfer for the company – in terms of developing international capabilities and also in relation to the retention of repatriates.

We hope so. There may be some gaps there, and now there're actually certain frameworks considered and we need to make sure that when the person comes back they're able to use the skills they learned. So it's not really something we have information in our department. But the company realises that they need to pre-plan how to use the expertise that the person will acquire first of all, for their benefit and second of all, to keep the person interested after they come back.

Expatriates confirmed, to their disappointment, the issue related above.

I think that's the biggest disappointment was when I was getting back, the fact that I was not able to utilise the experience that I gained there. It's a loss for the company.

Repatriates in Statoil today try to share their acquired knowledge in terms of culture, organisation and market understanding in the day-to-day routines of their new job. They would be willing to talk about it with company employees and candidates for IAs.

I think you bring many things with you. Both in the way you do business and work, and also the cultural awareness. [...] Perhaps I do that in the day-to-day work (share knowledge). It depends on the kind of position you hold.

Could be a resource for the company when some other people come down here.

When asked about their satisfaction with the new positions in Statoil, interviewed repatriates had conflicting opinions about it – some more satisfied than others.

I'm enjoying myself. I'm learning something new and I'm finding that I'm actually quite useful after a few weeks at least. I've only been there two months and it's starting to work, so yes, it's good.

Similar to the Jotun case above, this would mainly be connected to the lack of opportunity to share acquired knowledge, and to the less challenging positions occupied upon return.

I think that the biggest disappointment was when I was getting back, the fact that I was not able to utilise the experience that I gained there. It's a loss for the company. [...] I don't think the level as such was a problem; it's more the type of job.

Company Differences

The repatriation processes in Jotun and Statoil differ mainly in the degree of centralisation. While in Jotun it is commanded by corporate HR and the HR Vice President, in Statoil the process is divided among the different HRs in the business units that initiated the assignment. As a consequence, we have observed that Statoil employees have a more proactive attitude when it comes to seeking new positions upon repatriation, while Jotun employees rely a lot more on the company to do that.

5.1.7 Section Summary

A summary of the findings are shown in

Table 9. The table compares the ideals derived in the literature review chapter, and compares it to the reality as observed in the companies. For each HR activity, the table shows to what extent the key ideal elements are observed in Jotun and Statoil's management of the expatriation process.

In the table, (+) means that the element was present, (–) means that the element was absent, and (+/–) was partly present, or observed on an ad-hoc basis.

Table 9: Summary of findings

HRM Activity	Ideal	Jotun	Statoil
Selection	Connect the purpose of the IA to the selection process	+	+
	Search for soft skills, together with technical ones	+	+/-
	Candidate self-assessment, in addition to a comprehensive HR assessment	-	-
Assignment preparations	Orientation trip to the host-location	+/-	+
	Extensive cultural training for expatriate and family	+/-	+/-
	Schooling facilities for expatriate children	+	+
	Compensation/job-hunting services for expatriate spouse	+/-	+
Compensation	Attract personnel	+	+
	Be cost-effective in the international transfers	+	+/-
	Be consistent and fair in employee treatment	+	+
	Facilitate re-entry to home company	+/-	+
	Support the organisational strategy	-	-
Communication with head office	Good communication channels between expatriates and the business	+/-	+/-
	Constant follow-up of expatriates by HR	-	-
	Knowledge transfer in the subsidiary, to improve communication with head office	+/-	+/-
Performance management	Take into consideration task-based and relationship-based performance	-	-
	Account for different purposes, types of jobs and environments	-	-
	Systematic assessment of expatriate performance	-	-
	Provide a Remedial Action Program (RAP) when needed	-	-
Repatriation	Repatriation process linked to the purpose of the IA	-	-
	Start the repatriation process in advance	+/-	+/-
	Attempt to match career prospects of expatriates	+/-	+/-
	Include expatriates in the repatriation process	+	+
	Debriefing about the new reality at the head office	+/-	+/-
	Ensure the use of acquired knowledge in new position	-	-
	Mechanisms for knowledge transfers at head office upon return	-	-

In the following we will discuss how the management of the expatriation cycle in the companies compare to the academic ideals that were identified in the chapter 2.

Selection

As can be seen from Table 9, in the selection process, both companies strive to ensure that there is a strong link between the purpose of the IA and the selection process initiated to find a candidate to fulfil that position. Both companies report that international assignments are initiated as a result of a business need that is arising at a foreign subsidiary, regardless whether the nature of the need is technical or organisational. The selection process is tailored to ensure that the candidate chosen for the IA will be able to fulfil its purpose. Technical skills and capabilities seem to be emphasised most, but both Jotun and Statoil acknowledge the importance of soft skills, such as cultural sensitivity.

In Jotun, the selection process seems, to a large extent, to be standardised and streamlined as a result of extensive experience when it comes to sending out expatriates, whereas the process in Statoil currently seems to be conducted more on an ad-hoc basis. We believe that the differences observed in the selection process can also, to a large degree, be attributed to the size of the operation. Jotun is a large MNC by Norwegian standards, but the number of expatriates is fairly modest relative to Statoil. This enables Jotun to run centralised selection processes and maintain more corporate control over the total batch of expatriates. In Statoil, the selection processes are run mainly by the HR departments of each business area, and aligning the processes in the different business areas is a major corporate challenge.

An element that was not observed in the selection processes of neither company was self-assessment of individual readiness to take on an IA. Including such assessments as a part of the selection process could be useful when setting the expectations of the expatriates before taking on an IA, and is, for that reason, something we believe the companies should focus more on.

Assignment Preparation

Overall, we find that both of the companies perform well in this particular area. When it comes to pre-assignment preparation, both Jotun and Statoil have a policy that encourages, but does not require, the expatriates, and their spouse and accompanying family, to take part in cultural training and a recognition trip to the host location. The extent to which people take part in these activities is dependent upon several factors, but time and previous international experience were frequently reported reasons why such preparatory activities did not take place. Not requiring the expatriates to undertake cultural training before going on international assignments gives the expatriate flexibility to decide on his own whether the training is necessary or not. However, in giving the expatriate this opportunity, there is always a chance that he will overestimate their own readiness,

potentially having implications for performance during the assignment. Furthermore, several expatriates reported that it took a long time for their spouse and family to adjust to the local conditions at the host location. Adjustment problems can never be fully eliminated, but the time it takes before the family is settled down can be reduced.

Also, when it comes to HR support upon arrival, most expatriates reported a general level of satisfaction with the assistance provided by the companies. However, there seems to be some variation from location to location. These variations can partly be due to the fact that on-location assistance to a large extent is carried out by the local HR departments. In general, it seems that the perceived HR support is better in older subsidiaries, and in subsidiaries where more expatriates are deployed. In some cases, there was also a sense of misalignment between the HR support that had been promised from corporate and the level of support actually provided locally.

One particularly thorny issue is compensation/job-hunting service for the spouse of the expatriate. Both Jotun and Statoil provide some grants to support studies or other activities at the host location. Today, this amount is somewhat larger in Statoil than in Jotun. Several expatriates reported that this amount is too small to fulfil its intent. This was particularly the case for families where both spouses worked in the home country. The fact that the spouse often had to interrupt their career at home was also for many seen as problematic; suggesting that the companies should consider doing more in terms of making sure that the spouse can take a job or other activities that are considered meaningful.

Compensation

When it comes to compensation, both Jotun and Statoil seem to have reached a level that is perceived as fair by the expatriates, and are cost-efficient from a company perspective. The determination of the expatriate package is defined by the company's increasing level of transparency, which gives legitimacy within the company. Using a formalised system eases the transition to the home company upon repatriation. Jotun employees will get a salary upon repatriation according to the Hay Grade of the repatriated position, and Statoil employees will get the same salary as they had before going on the IA.

As mentioned before, one point of dissatisfaction for many employees, both in Jotun and in Statoil, is that the salary may fail to compensate for the fact the both spouses normally are not able to work during the IA.

The compensation package is transparent and computed in a fair manner. What we do not find is that there is a conscious focus on the strategic importance of the compensation package. Expatriates are compensated according to the level of the position they fill, but the performance appraisal systems seem not to be aligned to the strategic purpose of the IA. We find that this to a large extent can be ascribed to the lack of a performance management system that performs expatriate-specific measurements. This will be discussed in more detail later.

Communication with the head office

As can be seen from Table 9, communication between expatriates and the home organisation seem, to a large extent, to be conducted on an ad-hoc basis. This is partly because of the lack of communication channels back to the home organisation, and partly due to the lack of incentives to ensure that knowledge flows from the subsidiaries. In some cases, the expatriate position is also not related to the IA, and communicating back to the head office is, therefore, seen as unnatural. We see that establishing such routines that go beyond the formal result reporting would be difficult, and maybe not appropriate as the existence of strong informal ties between organisation members seem to compensate for the lack of more formal lines of communication. We would, however, emphasise the importance expatriates have for ensuring that other host country employees become socialised into this informal social network. In doing so, it is crucial that the expatriates not only serve as middlemen between the home organisation and the subsidiaries, but also make sure that employees at the subsidiaries learn how the home office operates so that they can relate back to the home office themselves. Including more relation-based measurements as a part of the performance management system could be an important incentive to make sure that this transfer of knowledge takes place.

Another key focus area for corporate HR should be to make sure that there is a good dialogue between the HR department and the individual expatriate. Such communication should facilitate both a smooth repatriation process, but also be a way to ensure that expatriates are well adjusted to the local conditions. Jotun reports that they have a talk with their expatriates on an annual basis, but despite that, some expatriates report that they feel somewhat isolated and forgotten by the home office. In Statoil, the communication between HR and the expatriates is a responsibility of the HR departments of the business areas, and as we noted with respect to the selection process, contact seems to be made on an ad-hoc basis. Follow-up should especially be prioritised when expatriates go to locations with few expatriates, or when the expatriate lacks previous international experience.

Performance Management

Performance management is a hot topic in the expatriation literature. One key reason for this is that most MNCs do not have performance management systems that are suited to assess the performance of their expatriates. In most cases, our two case companies included, MNCs assess the performance of their expatriates in the same manner as normal employees. This translates into task-oriented systems that do not fully take into consideration relationship-based performance measurements, and other criteria that take into account the environment in which the expatriates work. Furthermore, normal performance management systems normally do not take into consideration the fact that it often takes the expatriate more time to achieve desired performance because of issues regarding adjustment to a new work environment.

Repatriation

Repatriation is another area where we find that there is a large divergence between academic ideals and reality. We find that both Jotun and Statoil, as a general rule, are good at including the expatriate in the repatriation process, but the way in which this process is conducted seems to be highly ad-hoc. There are several reasons why having an ideal repatriation process is difficult for the companies. One obvious reason, is that it is difficult to anticipate the needs of the business when an IA is initiated. This makes it difficult to plan ahead, and to ensure that the employee is repatriated to a position that is directly relevant to the experience acquired during the IA. Another issue, is that the relative size of the home organisation is decreasing because of rapid organic growth internationally. Given that the expatriates are to return back to the home organisation after the IA, it is, therefore, impossible to make sure that everyone returns to positions within the same area of business as they worked in during the IA.

As shown above, there are numerous challenges to designing an ideal and efficient repatriation process. However, we find that both Jotun and Statoil have a huge potential when it comes to facilitating knowledge transfer upon repatriation. There seems to be an unconscious belief that expatriates bring with them important knowledge back to the home organisation, but how this knowledge can be transferred to other organisation members, and to what extent that actually happens today, seems to be insufficiently explored.

Summary

The analysis of the expatriation cycle has shown that there is deviance between theory and reality in several areas, and our observations suggest that there is a high degree of similarity between

Jotun and Statoil when it comes to how the expatriation cycle is managed. Jotun seems to handle some issues better than Statoil, because their experience and size enables some key activities, such as selection, to be executed more centrally. Statoil seems to handle the issues related to spousal support better, and the size of the home operation seems to ease the repatriation process as there are more available positions in the home organisation that expatriates can enter into after they end their international assignments.

Based on the analyses, the following areas were identified as clearly being areas where deviance between ideals and reality exists: *employee self-assessment in the selection process, spousal support during the assignment, HR follow-ups during the assignment, performance management, and repatriation*. With respect to repatriation, two key issues were pointed out: the *repatriation process* and *knowledge transfer upon repatriation*.

In the next chapter, we will discuss to what extent these deviations matter for performance, and how the companies can go about improving the management of the expatriation cycle.

6. Discussion

This chapter will discuss whether the deviations from the academic ideals pointed out in the previous chapter have implications for performance. Next, we will discuss how the companies can improve the management of the expatriation cycle, and present a set of recommendations.

6.1 Performance implications

Chapter 5 identified six major gaps between ideals and realities of expatriation in Jotun and Statoil. This subsection will be concerned with analysing their impact on company performance.

6.1.1 Employee Self-Assessment in the Selection Process

More important than an actual selection tool, employee self-assessment can be very useful in aligning expectations regarding the IA between the company and the candidate. Throughout our research, we have observed that neither Jotun nor Statoil, today, face serious issues regarding misalignment of expectations. Nevertheless, we did observe some cases in which a mismatch of expectations led expatriates, or repatriates, to lower satisfaction levels regarding the IA overall.

It would be difficult to argue that the non-administration of an employee self-assessment in Jotun and Statoil, today, leads to underperformance. It is, however, more palatable to infer that the companies could benefit from making sure that a higher number of future expatriates have their expectations in place. Maintaining expatriates' feet close to the ground can help ensure higher satisfaction and performance levels.

6.1.2 Spousal Support During the Assignment

The issue of dual-career couples is tightly connected to the spousal support offered by the companies during the assignment. This can be explained by the fact that if candidates believe that the support offered is not good enough to cover the interruption of the spouse's career; they might not be willing to go on an IA. This can be a loss for both the employee, and the company. The employee will end up foregoing an important career opportunity, and the company might not have the best, or the preferred, resources to allocate in international positions.

Jotun and Statoil, today, do not face major issues in getting candidates to apply for international assignments, which rules out the hypothesis that the lack of an extensive spousal support is causing underperformance. The HR departments in both companies do, however, acknowledge that this is a growing concern, as more and more couples take into consideration the career of both spouses when contemplating an IA. For this reason, we call for the fact that pro-active measures in this area can foster a continuation of the performance observed, and avoid underperformance in the future.

6.1.3 HR Follow-ups During the Assignment

HR follow-up of expatriates during the assignment is a useful tool in monitoring expatriate's expectations, satisfaction and performance, and in creating a link that will keep the expatriate updated about happenings at the head office, and will prepare both the expatriate and the company for the repatriation process.

The fact that Jotun and Statoil do not have an established system for keeping the communication alive means that the levels of communication can be different from case-to-case. While some expatriates seemed to be extremely satisfied, others felt abandoned and isolated, which ultimately could affect their performance. We believe that the lack of a systematic follow-up of expatriates could potentially be leading to underperformance. Ultimately, the fact that repatriation still proves to be an issue in both companies can justify the need of maintaining such a follow-up system.

6.1.4 Performance Management

The lack of a directed performance management system within Jotun and Statoil is, in our opinion, one of the biggest issues the companies face today with regards to the expatriation cycle. Expatriates in these companies are regarded as high-performing individuals, and the fact that they might sometimes not provide such good results has led to termination of assignments in the past. It is, however, erroneous to evaluate expatriates in the same way that we evaluate common employees, given the multitude of different issues they face, and the different skills they are required to develop. A proper performance appraisal will reflect all of these factors, and will better determine when an IA should be terminated, or when it should be maintained under some kind of probation period, when the expatriate has the chance to improve results.

We believe that Jotun and Statoil, today, can be underperforming by not having a performance appraisal system specific to expatriates in the sense that aborted assignments are enormous costs to the company that annul any potential future benefits.

6.1.5 The Repatriation Process

Starting the repatriation process well in advance is important in order to provide better chances that the career objectives of the expatriate will match the professional needs of the company. That said, IAs could be made a little longer, or curtailed, before what was previously agreed, so that opportunities are not foregone. What we have observed throughout the research is that, in many cases, repatriates are dissatisfied with the new positions they first occupy upon return to the home office.

As we have seen previously, it is difficult to offer an appropriate position to every repatriate, but these companies have been able to reallocate all, or most, of the expatriates that come home. In this respect, we could not say that they are underperforming. We do believe, though, that Jotun and Statoil are underperforming when it comes to how these expatriates are reallocated into the head office, because unsatisfied employees will not give as much to the companies as they would be giving in a position where they are satisfied. Starting a repatriation process well in advance could help avoid this problem.

6.1.6 Knowledge Transfer upon Repatriation

Still related to the repatriation issue, we have found that none of the companies studied present an established system in order to take full advantage of the knowledge acquired by expatriates during the international assignments. This has not been a big issue so far, because it seems that repatriates try to use what they have learned, and embed it into the organisation in an ad-hoc manner.

It is, thus, difficult to defend that this is a source of underperformance for the companies studied, especially when we take into consideration that most of the companies today deal with the same issue. However, we do call attention to the fact that a company that manages to establish such a system will possess an important source of competitive advantage relative to other companies.

6.2 Recommendations

After having analysed whether the gaps above cause underperformance within Jotun and Statoil, this section of the discussion will focus on giving recommendations within the six areas identified for improvement for the companies studied. These recommendations go beyond the gaps identified and call for a structured, interconnected and comprehensive set of HRM practises within the expatriation cycle.

6.2.1 An Efficient Recruitment Process

As we have seen in section 2.2.1, an efficient recruitment process is dependent upon certain factors: (1) that the purpose of the IA is connected to the way in which selection is run; (2) that the skills searched for during the selection process are not only technical, but also the so-called soft skills; and (3) that besides a comprehensive candidate assessment by HR, there is a self-assessment of fit by the candidate.

When it comes to analysing candidate skills, researchers have found that the selection should thoroughly screen intercultural competences that are built upon the long-term rather than the short-term, such as: intercultural communication, intercultural sensitivity, attitudinal aspects, interpersonal competence, and problem-solving behaviours (Graf, 2004; Graf & Harland, 2005). This is because of their importance to expatriate adjustment, and the investment and time needed to build them (Graf, 2004). According to Graf and Harland (2005), these skills also contribute to the quality of intercultural decision-making, especially when it comes to cross-cultural team management.

Moreover, Graf (2004) found that other skills, such as language capabilities and intercultural knowledge, are important for expatriates, but since they can easily be built upon in the short-term, they should not have a significant focus in the recruitment process. In the same research, Graf (2004) concludes that besides screening for culture-general competences, it is also important to search for culture-specific profiles, in order to find fit with the culture-specific aspects of the regions where expatriates are to be sent.

Another perspective, developed by Caligiuri, Tarique and Jacobs (2009), discusses the importance of the big five personality traits – extroversion, agreeableness, conscientiousness, emotional stability and openness/intellect – as facilitators of expatriate adjustment and, hence, performance. We,

therefore, suggest that the selection process should screen for these characteristics, in addition to an analysis of fit between the candidate and the job, the local organisation, and the host environment (Caligiuri *et al.*, 2009). The authors find in their research that the level of each of these personality traits can be adjusted to the purpose of the IA.

In addition, Caligiuri *et al.* (2009) discuss two more factors to be screened during the selection process. First, they find the importance of language skills for specific positions, where the expatriate is highly dependent on communicating with host-country nationals. Second, they find that candidates with previous international experience can bring an advantage to the company, because social learning and previous experience facilitate expatriate adjustment.

The topic related to the self-assessment of fit by candidates is slightly more controversial though. Previous research has discarded the validity and usefulness of this method, given that candidates could manipulate results to their own benefit (Graf, 2004; Graf & Harland, 2005). They have, therefore, suggested the use of assessment centres and recruitment techniques as a substitute. Conversely, other researchers have proposed self-assessment as a method through which expatriates can analyse their own fit to the new position abroad (Caligiuri & Tarique, 2006). In this thesis, we therefore suggest the use of self-assessment as an important tool in aligning expectations between the company and the expatriate candidates, by providing a real picture of the assignment, which the expatriate can analyse to his own benefit.

We have, however, found during the analysis of the interviews for this research that some other factors – in addition to the ones mentioned above – can influence the success of the recruitment process. They are mainly related to the motivation of employees in applying for international assignments, and to the extent to which the company encourages employees to do so.

When it comes to motivational factors, the main issue today that is holding candidates back is family. First, and by far the most mentioned issue, comes the spouse career. And second, the age of the children. These factors will be discussed in section 6.2.2 below.

On company encouragement, though, our research found that having a transparent and accessible process can facilitate and motivate employees in applying for IAs. Some of the expatriates we have talked to suggested that the company has a clear procedure for employees who want to apply for expatriate positions. They also suggest the development of a localisation policy for expatriate families who would like to continue on the foreign subsidiary for a longer period of time, without

the obtrusive costs of an expatriation package. This shows the importance of a clear and aligned recruitment process across the different business divisions within a company. Having a centralised recruitment process can attract a larger number of candidates, facilitating and improving results from selection.

Another point we have raised throughout this research concerns the fact that it is important to ensure that business needs are covered by expatriation, in order to justify the high costs incurred (McNulty & Tharenou, 2004). There is, however, a need to take into consideration the management development purpose of expatriation, which brings *future* benefits to the company in terms of development of capabilities. Management development is an important source of capabilities within Jotun and Statoil, and should, therefore, not be underestimated because of the potential/future nature of its benefits.

Caligiuri *et al.*, (2009) suggested in their recent study three best practises when it comes to expatriate recruitment process. First, they suggest the method of pairing repatriates with candidates during the selection process, in order to help create realistic expectations about the job and the living situation in the host-country. Second, they suggest using self-assessment tools – as discussed above – as a means for the candidate to assess his personal situation: family, career, and so on. This practise can also be used in a proactive manner in order to create a pool of candidates within the company. Third, they suggest including the screening of the personality traits discussed above in the traditional company assessment. The authors emphasise that these three techniques should be used after identifying that the candidate is technically suitable for the position.

In order to envisage an efficient recruitment process in the future, our last recommendation is to map local competences throughout the whole organisation, and make an effort towards understanding how to employ them in the best way, and in the best places. In other words, having a good competence map of the organisation will assist in the transition to a more geocentric approach, accelerating the internationalisation process – and ensuring achievement of goals for both Jotun and Statoil. An efficient recruitment process is not only about selection. It is more broadly about finding the right employee to be put in the right place at the right time. Having those factors in place, according to the theory discussed, should assist in having a well-managed process, and increase the benefits to the company.

6.2.2 Expatriate and Family Support

Our research has shown that another important point of attention in the expatriation process is the support offered to the expatriate and his family. Section 2.2.2 discussed a number of theories related to this subject, and how the level of support provided by the company's HR (either corporate or local) can influence adjustment. Company support can be translated in terms of (1) an opportunity for the family to engage in a recognition trip to the host-location before accepting the assignment and an opportunity for the family to undergo cultural training; (2) a smooth moving process – from the home country and settling down in the host country; (3) arrangements for schooling facilities for the expatriate children; and (4) either compensation or arrangements of job hunting services for the spouse of the expatriate.

The importance of company support in the expatriation cycle lies within the domain of expatriate adjustment. Several classifications of adjustment have been put forth by researchers. Takeuchi, Yun and Tesluk (2002) divide adjustment into general, work and interactional adjustment, similar to Ayman's (1997) dimensions of psychological, work and socio-cultural adjustment, respectively. Andreason (2008), on the other hand, divides adjustment in anticipatory (pre-departure) and in-country (after arrival), and defines five factors that can influence them: job factors (work conflict, work novelty and work discretion), organisational factors (culture novelty, logistical support, social support, and supervisor support), positional factors (hierarchical level, functional area, language fluency, and assignment vector), non-work factors (culture novelty and spouse/family adjustment) and individual factors (self-efficacy, relational and perceptual skills, previous experience. and language skills).

Similarly, Ayman (1997) finds in his research that certain characteristics on the individual and organisational levels, can help predict expatriate adjustment in the pre-departure, and in the post-arrival periods of expatriation. In the pre-departure period, individual antecedents of adjustment are managerial resourcefulness, technical and managerial competence, previous cross-cultural experience, relational skills (cultural flexibility and conflict resolution skills), and the big five personality traits. Organisation antecedents would then be the company's structure, the company's value orientation, the company's life cycle, strategic planning, organisational support (logistic and social), cultural-diversity training in local units, and a succession planning with an overlapping period.

Additionally, Aycan (1997) found that in the post-arrival period, individual antecedents of expatriate adjustment are acculturation attitudes, family adjustment and coping strategies – which should be rather problem-focused, and search for social support, which is emotion-focused. The organisational antecedents in this period would be performance-reward contingency with proper feedback, continuous communication and support, and organisational socialisation in the local unit.

Previous research has proven that both general and interactional adjustment, are positively related to job and general satisfaction (Takeuchi *et al.*, 2002). The same study found that (1) job and general satisfaction are negatively related to the intention to return early to the home-country, and (2) there are cross-over effects between spouse's general adjustment and expatriate's work and general adjustments.

We have seen through our discussions with expatriates that the happiness of the family will highly influence their performance. The expatriate job is often very demanding, both in terms of working hours, and in terms of complexity. Having a stable family situation, and knowing that the family is settled and satisfied – with proper housing, schooling and so on – will allow the expatriate to focus on the professional issues, and on the daily routines of the job, consequently, increasing his performance (Kraimer, Wayne, & Jaworski, 2001; Takeuchi *et al.*, 2002; Aycan, 1997).

The interviews we performed revealed that the greatest challenge that companies face today refers to the spouse adjustment process, specifically, concerning dual-career couples. We found that several factors account for increasing this issue. First, the fact that the spouse is, in a way, forced to temporarily interrupt their career. Second, the difficulty found in the transition from an active period of life, to a more passive one. Third, the potential issues encountered upon repatriation when attempting to return to the labour market.

Our findings are consistent with results from previous empirical research that identify spouse career as one of the main concerns of the expatriate couple (Harvey M. , 1998; Harvey M. , 1997). Harvey (1998; 1997) also identifies other sources of concern of expatriates and their spouses, namely – the cultural distance between home and host countries, the support from the company, the job performance and the organisational culture, the stage of the family life-cycle, culture and job-related training, and the compensation package. These issues can be later classified into individual, position-related, organisation-specific, non-work-related and environmental issues; and they will affect the willingness to relocate of the couple, their adjustment, and their satisfaction levels (Harvey M. , 1997; Harvey M. , 1998).

The factors we have identified in our research, along with the additional issues above, can both cause a strain in the marital life of the couple, and affect the financial situation of the family, negatively impacting on the levels of satisfaction and performance of the expatriate (Harvey M. , 1997; Harvey M. , 1998; Andreason, 2008). We, therefore, propose two main recommendations that can help circumvent the dual-career couple problem.

Our first recommendation on this subject would be to provide career support to the expatriate spouse in one or more of the following forms: (1) job hunting services, in case the spouse intends to continue working during the assignment; (2) education support, especially important for locations where it is not viable to find a job for the spouse, but also for cases where the spouse prefers to focus on their education; and (3) monetary compensation, when none of the two above are possible or as an alternative for partially compensating for the loss of one of the household incomes. It is possible, and advisable, to use these three options flexibly and interchangeably.

In what comes to social support, Harvey (1997) distinguishes among four types of social support, namely – emotional, instrumental, appraisal, and informational. It has been suggested that most of these social needs can be covered by providing a three-phase global mentoring program for dual-career couples (Harvey & Wiese, 1998; Harvey *et al.*, 1999).

Offering a mentoring programme that extends from pre-departure, to assignment, to repatriation is a way to compensate for the lost social support from the home country, to reduce stress and uncertainty levels, and to accelerate adjustment (Harvey & Wiese, 1998). The authors provide a model in which both the expatriate and the spouse receive mentorship – primary and secondary, respectively. They later incorporate the idea that mentoring is a way to provide a sense-making mechanism about the expatriation experience to the expatriate couple, facilitating adjustment and, hence, increasing performance (Harvey, Buckley, Novicevic, & Wiese, 1999). The pre-departure phase should comprise a sense-making perspective building. The assignment period should be dedicated to developing sense-making skills and self-efficacy. And the repatriation should be the period to solidify the experience, and facilitate re-entry into the home-country.

Moreover, we recommend mentoring programmes for potential expatriates because of their preventive and developmental functions, and because they help to preserve the institutional memory, contributing to the company's intellectual capital (Harvey *et al.*, 1999).

6.2.3 Communication Between Assignee and Home Organisation

The discussion initiated in section 2.2.4 highlighted certain characteristics pertaining to the communication between expatriates and the home organisation. The main point made was related to one of the roles played by expatriates, namely knowledge transfer during the IA. In other words, this is the task of building a network of relational social capital across the different parts of the company.

In a study by Mäkelä (2007), knowledge sharing – rather than knowledge transfer – refers to both formal and informal exchanges of knowledge across expatriate relationships. These expatriate relationships are important because of their richness and long-term nature, and because of the multiplying effects they have beyond the home-host continuum.

These expatriate relationships can be used to overcome structural holes within the company, to create strong ties between and among subsidiaries, and to increase formal and informal knowledge flow (Mäkelä, 2007). They will do so by affecting the three dimensions of knowledge transfer (Mäkelä, 2007). First, in the structural dimension, expatriates can help create linkages across units or subsidiaries within a company. Second, in the relational dimension, expatriate experience can increase trust at the interpersonal level. And third, in the cognitive dimension, they will help expatriates to understand collectives, codes of conduct, language systems, and so on.

In order to better extract benefits from the IA, the company can stimulate the use of expatriates as a mechanism of knowledge transfer in three main ways. First, the expatriate should have the responsibility of sharing his knowledge with local employees by coaching, teaching and training them. The result would then be the creation of competences and capabilities within the subsidiary, which can ease the process of reducing the amount of expatriates needed in the future.

Second, one of the reasons for the use of expatriates seems to be the fact that they have an established network within the home organisation which is beneficial in creating communication between subsidiary and the HQ. A consequence of this, therefore, would be that the company can benefit from making sure that expatriates will teach these networks to local employees. Not only that, expatriates should also be motivated to transfer the ways in which the organisation works – standards, culture and structures. Similar to the case above, these practises will foster the creation of competence within the subsidiary, which in a later stage can be translated in a reduced usage of expatriates, reducing costs for the company.

Third, the company can utilise expatriates in a better way by having them increase communication and create networks of relational social capital among different subsidiaries within the same region. Establishing these networks can increase the flow of best practises across the different local offices, and also with the head office.

Our research throughout section 5.1.4 identified two additional major gaps in this part of the expatriation process. The first gap is related to business communication, meaning the understanding of the work environment and situations between the HQ and the subsidiary. Given the cultural distance, and all the challenges posed by the different locations, it is expected that those in the HQ management, that have not experienced international assignments, will find it somewhat difficult to relate to specific challenges. An important role of the expatriate is, therefore, to improve communication and understanding of the work environment between the subsidiary and the HQ. It would, however, be beneficial for the company to make sure that the management team in the HQ have had an international experience because this will be one more factor facilitating and improving communication.

The second gap identified during the research phase of this master's thesis is the follow-up of expatriates by home country HR. As we will discuss in section 6.2.5 below, having an articulated repatriation process is, today one of the main challenges for a large majority of companies. We then suggest that this communication between corporate HR and expatriates is very important for two reasons: (1) for an early and articulated planning of the repatriation process – which will be discussed in more detail in the latter section (Black & Gregersen, 1999); and (2) for an opportunity of early recognition of potential problems with performance, or with the assignment, as a whole. This would provide the company with the chance of acting pro-actively in order to counteract these issues and avoid losses (Harvey & Moeller, 2009). It is, therefore, recommended that corporate HR establish a continuous line of communication with expatriates, and mentoring can be an effective tool for obtaining that (Aycan, 1997).

6.2.4 Performance Management

Both of the companies that were researched have formal performance management systems. However, neither Jotun, nor Statoil, have developed systems that specifically define criteria for successful IAs. As noted before, the expatriate will either report to the company manager at the host location or to his manager in the home company, depending on the expatriate's role in the host company.

As pointed out in the theory, there has been a great deal of research on the overall topic of expatriation failure, but as pointed out by Collings *et al.* (2007) there has been little focus on the expatriate performance. Monitoring the performance of an expatriate is a challenging task for several reasons. The business environment that the expatriate works in might differ greatly from the business environment in the host company. A system that works well in the home organisation might, therefore, not be successfully applied to all expatriates. Historically, there has been an overwhelming focus on technical skills, both in the selection and evaluation of expatriates (Caligiuri & Tarique, 2006; Caligiuri *et al.*, 2009). A task-oriented system like that, fails to fully comprehend the relation-component that is often very predominant for the success of an expatriate. Further complexity is added because expatriates often must meet potentially conflicting goals from the home organisation and the host organisation management. Moreover, as pointed out earlier, there are a lot of non-work related factors that also might influence the performance of the expatriate, such as the adaptation of the expatriate's spouse and children. Standardised systems might not be flexible enough to take these IA-specific factors into consideration, and in order to successfully manage the performance of expatriates, MNCs must recognise the need to adapt an appraisal system that takes into account the host context.

A key to designing a performance management system is to gain a clear understanding of the context in which the expatriate is operating (Collings *et al.*, 2007). In doing so, this thesis has shown that it is essential to have good communication lines between subsidiaries, and the home organisation. As mentioned earlier, we believe that it would be a great advantage to utilise repatriates so that they can serve as contact points between the home organisation, and the network of subsidiaries globally. We also see the need for a goal setting process that is closer aligned to the strategic purpose of the IA. Often, the IA might be of a technical nature, and in these cases, task-oriented systems might be appropriate. In other cases, for instance in IAs related to business development, the nature of the IA might not be that well defined, and the desired outcome might be driven both by delivery on task-oriented and relation-oriented criteria. Consequently, we believe it is essential that the goals of the IA are clearly defined upon initiation. Doing so requires that both the home organisation and the individual expatriate have a clear understanding of the direction in which the company wants to develop, given the host context. In this process, repatriates can be a great resource in identifying challenges and troubled areas at the host location. At the same time, the system should be flexible enough to take into account changing conditions at the host location. Adapting to a new work location might take time, both for the individual expatriate and his family, and it might take longer before the expatriate starts performing

than would be the case in the home location. The system should be flexible enough to consider these challenges, but at the same time there should be agreed under what circumstances an assignment could be aborted. We find that it is both in the interest of the expatriate and his family, and the home organisation, to abort an assignment that does not yield the desired outcome within a certain time frame.

As pointed out in the beginning of this section, neither Jotun, nor Statoil, have an expatriate performance system in place at the moment. Our research does not give us any reason to suspect that current expatriates are underperforming. On the contrary, an underlying assumption is that the employees that are being sent on IAs are top-performers in the organisations, and in many cases these employees have previous experience both from short-term assignments, and long-term assignments. Our research has, however, found evidence that suggests that in some cases there might be a lack of clarity when it comes to what is expected from the expatriate during the assignments. We find that this can be both due to the complexity of the assignment, that home organisations lack of understanding of the host country context, and vague or non-existent defined goals for the assignment. We believe that the companies might enhance the performance of its expatriates if closer attention is paid to defining goals that are closely aligned to the strategic purpose of the assignment.

6.2.5 An Articulated Repatriation Process

Repatriation has been identified as one of the key challenges to any expatriation process (Welch *et al.*, 2009; Black & Gregersen, 1999; Collings *et al.*, 2007; Harvey & Moeller, 2009). The importance of developing systems to make sure that repatriated knowledge is being utilised will be discussed in more detail in 6.2.6. Here we will discuss the importance of having an articulated repatriation process, and by that we mean that both the home organisation and the expatriate have a clear understanding about life after the IA.

The repatriation process is, for obvious reasons, closely connected to the purpose of the IA, and the nature and purpose of the IA will have implications for the repatriation process. One important similarity is, however, the need for an articulated repatriation process that is clearly understood by both the home organisation, and the employee. Predictability seems to be an important criterion, opting for the early planning of the repatriation. There are different views as to when the repatriation planning should start. Some researchers suggest that repatriation should be a part of the plans already at the time when the IA is initiated (Collings *et al.*, 2007). Taking on an IA can be

seen by some employees as a career risk, as there exists a certain degree of uncertainty about what needs the organisation has when the IA is over. In other words, there can be a fear on part of the expatriate that he is no longer useful for the home organisation, and that he has to accept a lower-level position, a position not relevant to the IA, or no position at all.

This uncertainty is troublesome for the organisation as well. If the repatriation path is unclear, the most qualified employees might not be willing to take on assignments. If a relevant job cannot be provided upon repatriation the company risks that important knowledge acquired by the expatriate is not fully utilised, and in the worst case scenario, that the employee leaves the organisation and starts working for a competitor. None of the companies we researched explicitly guarantees the expatriate a job upon repatriation. Doing so would, of course, be both difficult and unfavourable for the organisation. Predicting future organisational needs is complicated, and establishing new positions for the repatriates without a real business need would hardly be efficient in the long run. This challenge is further complicated by the fact that a majority of the expatriates are senior managers, and a natural step in terms of career development would, therefore, often be to enter a top management position. For obvious reasons there would not be enough of these positions to accommodate all repatriates.

Given the challenges above, we find that a key focus area should be to manage expectations. The organisation should, at an early stage, identify what the expatriate expects upon repatriation. If there is a mismatch between the expectations of the employee and what the company can provide, the employee should be prepared for that. If a higher-level position in the home organisation is not viable upon repatriation, an alternative career path could be discussed. The knowledge acquired during an IA can be both specific and generic, meaning that this knowledge could be utilised in other departments than the one the employee belonged to before he went on the IA.

Our research has shown that both Jotun and Statoil have a strong corporate culture to which the employees feel strongly attached. This has been demonstrated in both a reported low degree of concern about the repatriation, and a seemingly high willingness to accept a new position in the home organisation, even though that means moving down or sideways in the hierarchy. We believe that this sense of loyalty gives the organisations more flexibility when it comes to planning the repatriation process. We do, however, want to stress the importance of continuously focusing on improving the repatriation process. Even though both companies report a low rate of people leaving the organisation, being able to provide relevant positions upon repatriation is an important

prerequisite for internalising knowledge acquired by expatriates, and to foster organisational learning.

An important focus area should be to initiate the repatriation process as early as possible. This will both give the organisation time to plan ahead and anticipate future needs, and it sends out a signal to the IA that they are valued by the organisation. Most IAs have a pre-determined duration of between 2-5 years. If the organisation sees that relevant positions do not exist in the home organisation upon the anticipated end of the contract, the organisation should, if viable, see if it is possible to extend the IA contract. Conversely, the need to fill a relevant position in the home organisation could also be a reason to end the IA earlier than initially planned. Allowing for a higher degree of movement between subsidiaries could also make the repatriation process more flexible. At the same time, there should be a continuous evaluation of who would be candidates to take the IA position once the current expatriate moves on.

6.2.6 Knowledge Transfer upon Repatriation

One of the main reasons why focus on repatriation is important is that, if successfully executed, it allows the organisation to utilise knowledge acquired during IAs (Bonache & Brewster, 2001). Expatriates play an important role as senders of explicit knowledge, such as technical skills, and tacit knowledge, such as corporate culture, and organisational procedures and practises (Lazarova & Tarique, 2005). However, as pointed out in the previous chapter, neither Jotun nor Statoil have developed formal systems to facilitate knowledge transfer upon the repatriation of their expatriates.

There is an underlying belief, both on part of the expatriates and the HR representatives, that expatriates bring with them considerable knowledge when returning to the home base, but it is unclear to what extent this knowledge is, in fact, utilised in the organisation. Moreover, there seems to be unconsciousness about the nature of the knowledge that is brought back to the organisation. When asking the HR department and the repatriates, classifications such as “knowledge about the international marketplace” and “cultural sensitivity” were often mentioned. The organisations acknowledge that the knowledge the expatriates bring back with them from foreign subsidiaries to the head office depends on the position the expatriate filled. However, the degree to which the companies acknowledge that different kinds of international assignments lead to different kinds of repatriated knowledge, is unclear.

In knowledge management, it is common to make a distinction between explicit and tacit knowledge (Bonache & Brewster, 2001). Explicit knowledge, or know-what, is knowledge that easily can be codified and transferred. Implicit knowledge, or know-how, cannot be codified, and is only visible through its application. As explicit knowledge can easily be stored and transferred within the organisations through formal reports and memos, the real challenge is for organisations to utilise the tacit knowledge that is latent in the organisation.

As pointed out in the previous section, an important part of the overall repatriation process is to recognise the importance of the knowledge acquired by its expatriates, and to develop systems that ensure that this knowledge is being utilised in the organisation. An important prerequisite for such utilisation to take place is, as noted, to ensure that the repatriate enter a position where he is able to transfer this knowledge (Oddou, Osland, & Blakeney, 2009). If the knowledge is highly specific, for instance with respect to a certain product, market or technology, such transfer is most likely to take place if the expatriate enter a position within the same department as he worked in during the assignment. If the knowledge is generic, for instance psychology of foreign consumers, the knowledge could also be useful in different areas of the business (Lazarova & Tarique, 2005).

In the knowledge transfer literature, there has been a strong focus on the motivation of the recipient, but the readiness of the sender has also been identified as a key factor for knowledge to be successfully transferred. To transfer the knowledge, there needs to be a fit between recipient motivation and sender motivation (Lazarova & Tarique, 2005; Oddou *et al.*, 2009). The sender must, therefore, possess valuable knowledge that can be transferred. At the same time, the organisation must develop systems that allow extracting this knowledge, and providing incentives that motivate the expatriate to transfer the knowledge.

Coupled with this, it is important for the organisation to make sure to develop knowledge transfer mechanisms that fit the intensity of the knowledge that is to be transferred (Lazarova & Tarique, 2005). Knowledge is characterised as highly intensive if both the tacitness and specificity are high, and extracting and transferring this kind of knowledge calls for rich extraction mechanisms that involve a high degree of communication between expatriates and other organisational members, for instance by utilising the expatriate in strategic teams or as a link between the expatriates in the same positions, and members of the home organisation (Lazarova & Tarique, 2005). Another efficient way of ensuring that such knowledge is transferred is to utilise the expatriate as a mentor for new expatriates.

7. Conclusion

7.1 Key findings

The purpose of this thesis was to examine the expatriation cycle in two Norwegian MNCs – Jotun and Statoil – and identify whether their realities reflected the ideals taught by scholars. Given our expectations that gaps were to be found, we aimed at analysing if these gaps led to underperformance or potential underperformance for these companies. Finally, we aimed at providing recommendations in the areas with the most pronounced gaps, so that the companies studied can improve their processes, and fully realise the benefits of expatriation. The research question guiding this master's thesis was:

Does the divergence between the academic ideals and the realities of the companies studied lead to underperformance? And how can companies enhance the value of expatriation by approaching academic ideals?

We have found in our analysis that the major gaps between ideals and realities of the HRM practises within Jotun and Statoil pertain to the following areas: *employee self-assessment in the selection process, spousal support during the assignment, HR follow-ups during the assignment, performance management, the repatriation process, and knowledge transfer upon repatriation.*

Interestingly enough, we have found that both companies deviate from the ideals mostly in the same way, and in some cases with a slightly varying degree. According to our discussion, the main sources of underperformance, or potential underperformance, were found in the gaps of the spousal support during the assignment, the HR follow-up during the assignment, the performance management, and the repatriation process. Other gaps presented a potential for improvement, but not necessarily underperforming areas.

It is important to notice that these companies are extremely well-versed, and have been succeeding when it comes to their expatriation processes and it would be, therefore, erroneous to assume that they are underperforming in comparison to the average company. Our conclusions are more appropriately interpreted in light of a comparison with the ideals.

Based on our findings, we have recommended that attention is placed in six particular areas, namely: the recruitment process, expatriate and family support, the communication between HQ

and subsidiary, performance management, the repatriation process, and the knowledge transfer upon repatriation. Below is a brief summary of our main recommendations in each area.

An efficient recruitment process should be connected to the purpose of expatriation; make sure to focus on the selection of candidates who present long-term buildable “soft” skills and the big five personality traits, and; guarantee that expectations about the assignment are aligned, either via self-assessment, or other methods.

Expatriate and family support is related to the adjustment of the expatriate and his family. We have identified that since the adjustment success is highly related to performance, it is important to provide a process that runs as smoothly as possible. Two main recommendations in this area are to provide different career support options for the spouse of the expatriate, and to maintain a mentorship program in the home and the host countries.

Communication between expatriates and the home organisation suggests the use of knowledge sharing mechanisms, such as coaching and teaching, in order to build competence within the subsidiary, so that this communication is improved. Having a top management with international experience, and a regular follow up of the expatriation process by HR, are additional factors influencing this communication.

Performance management for expatriates should be designed in a way that it reflects the context in which the assignment is taking place, the task-related goals, and the relationship-related goals of the assignment. There should be certain flexibility with respect to the time frame for when expatriates are expected to reach desired performance, but also a clear agreement on conditions where it is better to abort the assignment. The use of repatriates and the alignment of expectations are positive influencing factors.

An articulated repatriation process should be predictable. The conversations between head office representatives and the expatriate should start well ahead of the final months of the assignment. How long in advance will depend on how the process will be established by each company, but the flexibility to extend or curtail the assignment is important. Another recommendation point in this area is to match vertical and/or horizontal career moves with the experience acquired during the IA.

Knowledge transfer upon repatriation can be promoted by two main attitudes. The first recommendation would be to make sure that the new position occupied by the expatriate matches

the specific kind of knowledge acquired, and purpose of the assignment. The second recommendation would be to use repatriates as mentors, sharing knowledge inside the HQ.

These recommendations aim at affecting mainly the areas in focus. It is, however, reasonable and observable that in many cases they will interrelate with each other, affecting other areas, and in this way, forming a unified expatriation cycle.

7.2 Implications and Limitations

One of the main benefits provided by this master's thesis is related to the fact that today companies are aware of the challenges they face within the area of international assignments and, therefore, are searching for solutions and best practises to be implemented. Our research not only gives academic support to the main points of concern of Jotun and Statoil, but also suggests a systematic approach to how the companies can implement changes on the six main areas identified for improvement.

Two limitations of this master's thesis should be pointed out here. First, given time, budget and scope limitations, we were not able to include a broad and significant amount of interviews to the research, which means that there might still be other opinions in different locations of the organisation that we did not catch throughout this process. Second, given that only two companies were investigated, the results of our research cannot be generalised to the MNCs group as a whole.

The findings from this master's thesis, therefore, are of most value to the companies that took part in the research – namely, Jotun and Statoil – because of the focus that was given to their specific situations. It is, however, not unreasonable to assume that other companies may face the same problems, especially within the Norwegian context.

Finally, our master's thesis has an important implication in what comes to standardising the expatriation process inside companies. It provides them with a more systematic approach to look at expatriation, instead of treating situations from an ad-hoc perspective.

7.3 Suggestions for Further Research

This master's thesis has a great potential to be developed into further professional research in the future. One possible path to be followed would be to increase the focus on the company level, by

reaching a broader amount of expatriates and repatriates inside the companies studied. This could be done, for instance, by developing a quantitative study and performing surveys with high reach, so that information will be captured from a larger number of sources.

On the MNC study level, this thesis could be further developed by increasing the number of companies investigated, so that conclusions reached can be generalised to the larger group of MNCs as a whole. A lot of theories have been developed in the field of company-level benefits, but very little empirical testing has been done. We believe it could be of an invaluable development in the field of IHRM to test and explore these theories.

As a suggestion for future research and development for the companies studied, we believe that it might be of interest to focus one-by-one on the areas of improvement suggested. Further investigation can be done in order to estimate the extent to which these problems affect them, and then implement the necessary systems.

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Appendix

Appendix 1: Questionnaire for International Assignees

Responsibilities at the Subsidiary

What is your position in the local office? What was your position in Jotun/Statoil Norway?

Can you explain which kind of responsibilities your international assignment involves?

How do you see your role in the subsidiary?

How would you describe the degree of freedom in decision making of the subsidiary subject to the head office?

The International Assignment and Motivation

For how long will your international assignment last?

Do you feel that you were sufficiently prepared before taking on your international assignment?

Do you think that the expectations towards you, as an expatriate, were clearly communicated?

Why did you choose to take on an international assignment? What was your main motivation?

Which were the most predominant factors against taking on the international assignment?

The Selection Process

Can you describe the selection process with regards to:

- Announcement of vacant position?
- Interview process?
- Involvement of spouse/family?
- Contact with the host company?
- Language and culture training?

Pre-Departure Preparations and On-Location Adjustment Process

Are you accompanied by spouse/family on your international assignment?

If yes: What kind of assistance has Jotun/Statoil provided with regards to:

- Pre-departure language and culture training
- Schooling for your children
- Job hunting for your spouse
- Any other assistance that you found relevant

Compensation, Performance and Challenges

Do you feel that the compensation package is sufficient?

What would you say were your biggest professional achievements while in the international assignment? What is your contribution to the company?

Can you describe the main challenges you have faced professionally on your assignment?

Can you describe the main personal issues and challenges you have faced on your assignment?

Head Office Contact

To what extent do you still have contact with your colleagues at home?

Expectations for Repatriation

What do you expect from Jotun/Statoil when returning from your international assignment?

Do you have a job in the home company when you finish your international assignment?

Reflection Time

Would you consider going on another international assignment with Jotun/Statoil?

Do you believe it is necessary to have an expatriate occupying the position you occupy today/occupied before, instead of a local employee/manager? Why?

Appendix 2: Questionnaire for Corporate HR

Motivations for Using Expatriates

What are the main functions of Jotun/Statoil expatriates? (E.g. position filling, organisation development or management development?)

What is the degree of centralisation of international operations? Is this a reason for expatriation? Meaning, is the expatriation approach chosen in order to maintain control of the international operations?

What does it mean to be an expatriate inside Jotun/Statoil culture?

What is the expatriation trend for Jotun/Statoil?

- Remain constant as it is, reduce or increase;
- Short-term vs. long-term assignments.

Specifics about the IAs and Selection

What are the nationalities of Jotun/Statoil expatriates and where are they placed? (Analyse whether it is ethnocentric, polycentric or geocentric approach)

How many country nationals are abroad now?

How long in average do the international assignments last?

How are expatriates selected? What are the necessary skills for a Jotun/Statoil expatriate?

Compensation Packages, Relocation/Family Support and Training

What are the benefits/compensations for an expatriate? And what is the support plan provided for expatriate families?

Does Jotun/Statoil provide extensive cultural training for expatriates before and during assignments? And do Jotun/Statoil expatriates have a host country mentor? (In order to give cultural guidance to the expatriate)

Does Jotun/Statoil provide any other kind of training for expatriates? Specify.

In comparative terms, what is the cost of an expatriate for Jotun/Statoil? (If compared to a normal employee in the same level/position)

Issues and Failure

What are the biggest issues encountered during an international assignment?

What is the percentage of assignments that end before the time planned (= fail)? What are the biggest reasons for failure?

Repatriation

How does the repatriation process work in terms of:

- New position in home country and new compensation system? (Work environment)
- Re-adjustment to home culture and life standards? (Social environment – drop in consumption power)
- Providing support for family relocation? (Family)

Are former expatriates in Jotun/Statoil invited to share their cultural knowledge/experience through, for example, debriefing sessions? Is this used as a way of easing the transition back to the home-country, by helping them make sense of their highly significant experience?

Realisation of Benefits

What are the benefits perceived by Jotun/Statoil with the expatriation process? What achievements could be connected to the fact that there is an expatriate in the local operation, instead of a local employee/manager?

Is the knowledge learned in local operations applied back at the head office and, henceforth, introduced in other local operations? Meaning, is there an extensive exchange of knowledge (both-ways) during the process? Is it considered a benefit for the expatriate?